

# Your BUSINESS

Summer 2012 • New York



## INSURANCE

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## Insure your business against flood damage

The hurricanes last year were an unfortunate wake-up call to many business owners in the Northeast. Most of the damage to structures was a result of flooding.

Floods can strike anywhere at any time and with almost no warning.

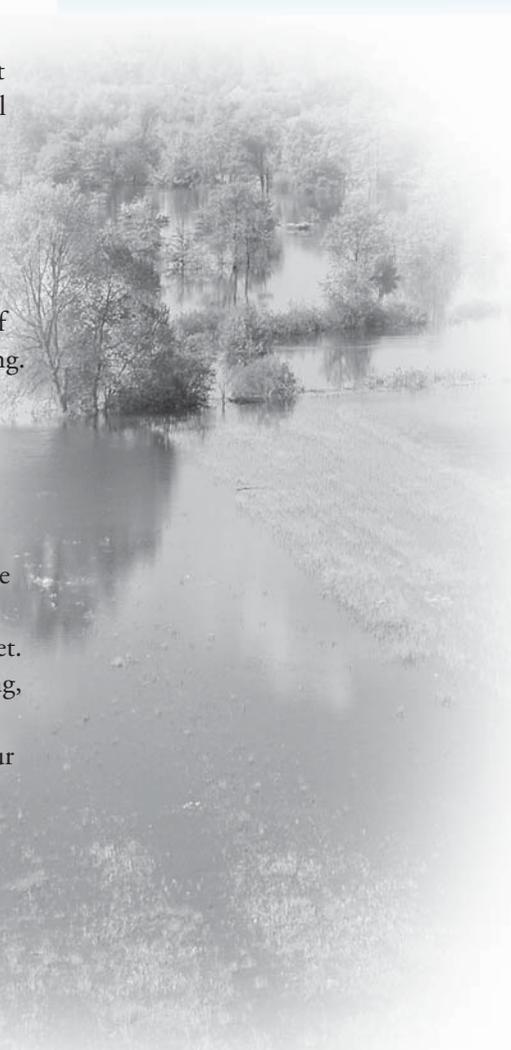
For financial protection from floods, businesses should consider buying a flood insurance policy from the National Flood Insurance Program or a Write-Your-Own carrier. The NFIP, a federal program administered by the Federal Emergency Management Agency, offers flood insurance in communities that have agreed to adopt and enforce minimum floodplain management standards. More than 20,000 communities participate in the NFIP. Since 1973, NFIP has paid nearly \$40 billion in flood insurance claims that have helped hundreds of thousands of families and businesses recover from flood events.

While most floods affect homes and commercial properties near water, locations away from the water are not always safe from flooding. FEMA reports that 25 percent of flood insurance claims come from areas with a low-to-moderate risk of flooding. In these areas, flooding can result from torrential rainfalls, rapid melting of heavy snows, and breakage of water

mains or dams. Standard commercial property insurance policies do not provide coverage for losses caused by water.

Typically, a 30-day waiting period applies from the date the business buys the policy before coverage can begin. Businesses can buy coverage through our agency, however, the cost of coverage varies by the risk. Physical damage to a building that is directly caused by a flood generally is covered by flood insurance, also personal possessions that are damaged can be covered as well. For example, damage caused by a sewer backup is covered if the backup is a direct result of flooding. However, if the backup is caused by some other problem, the damages are not covered through the flood policy.

Every business should consider purchasing flood insurance. No location is immune to the risk and the cost of coverage is much less than the cost of paying for repairs out of pocket. Because the damage can be devastating, the risk of flooding is something no business can afford to ignore. Give our agency a call today.



## When businesses lose power

Remember Tropical Storms Irene and Lee and the last destructive snow storm in the middle of autumn? Losing power might be unpreventable, but there are steps you can take to protect the welfare of your business.

Consider including power outages as a covered event for business interruption on your business owners policy (or commercial property policy). Typically, this can be accomplished by adding an endorsement titled Utility Services—Time Element. It states: “We will pay for loss of Business Income or Extra Expense at the described premises caused by the interruption of service to the described premises.” The interruption must result from a covered peril (e.g., windstorm) causing damage to generating plants, substations, transformers, transmission lines and other property supplying electricity to your premises. This endorsement also can cover the loss of water supply and communication services. However, it’s important to note there is a waiting period (72 hours is common) that must be eclipsed before a business income claim will be covered.

Without this endorsement, a business would have only business interruption coverage if the outage was caused by direct damage to property on the premises, when such equipment does not involve the supply of electricity off those premises.

If you have questions or if you’d like to add this option to your policy as part of your business’s emergency preparedness plan, give us a call.

## Prepare the office before you head on vacation

**FACT:** Business owners are allowed to take vacations.

**FACT:** You don’t need to be nervous about spending time away from the office.

**FACT:** Your independent insurance agent can help you find peace of mind.

There are steps you can take to make your time away from the office less stressful on your employees, your customers and yourself.

Don’t forget about insurance. Before you leave, make sure all your business insurance policies are accurate and up-to-date. These policies protect your building and its contents, and offer business interruption insurance and liability protection, which are vital coverages for any business.

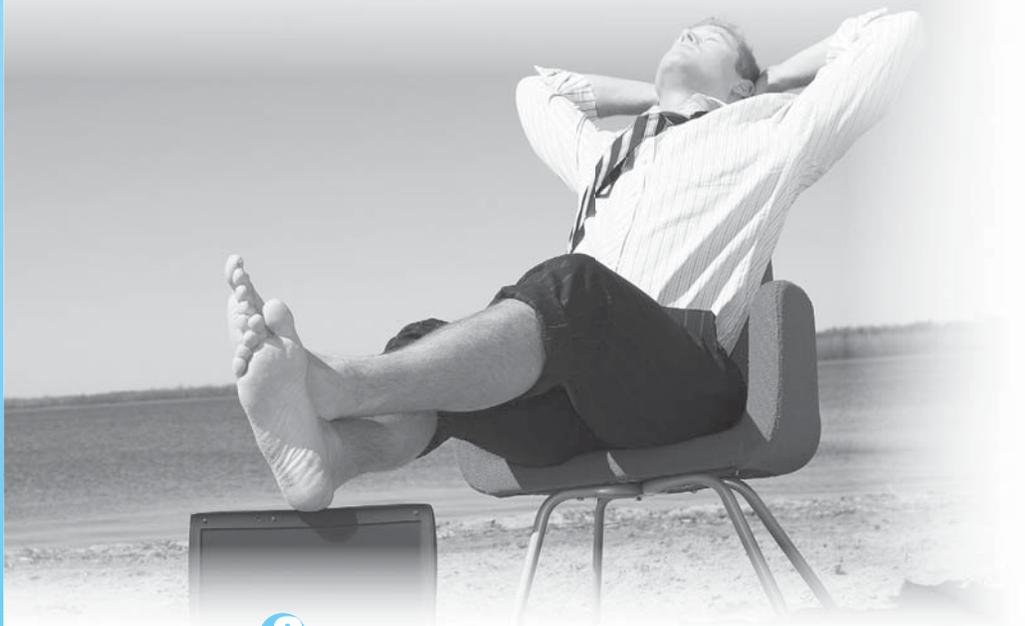
Consider purchasing key-person life insurance to protect your business from the untimely death (or disability) of a key member of the management team. Rather than an insurance policy that provides coverages to an individual, the beneficiary of this type of policy is the business. Coverages and policies vary depending on the type and size of the business.

Before you leave on vacation:

- Give your business contacts a few weeks notice—that way everyone around you can plan for your departure.
- Make sure the person in charge is aware of all the office procedures and knows what needs to be done in your absence.
- Plan out everything you need to get done before you leave to avoid any last-minute projects.
- Pay your bills and send out invoices before you leave.

If you are unsure about how your business will function when you are away take a test run. Schedule a few days away from the office, but stay close. If things run smoothly while you’re out you can plan to go away for a longer period of time at a more distant location.

These insurance coverages and tips can offer you peace of mind whether you are at home or away. However, each insurance policy has its own nuances. Call us. We can help make sure you have the right coverages to protect your business.





## More tech, more problems

We've talked about cyber security before, and it's still one of the fastest growing expenses of doing business (aside from the initial investment in the technology itself). In fact, a recent study indicates that some of those resources are misdirected, and that the usual technological suspects aren't always the culprits in cyber breaches. According to the Ponemon Institute, smartphones, photocopiers and old computers are bigger risks than you might have thought, accounting for 70 percent of security breaches.

**Smartphones** are one of the more obvious security risks in the list. But, the risk they pose is elevated by their growing ubiquity. According to The Neilson Co., sometime in 2011, smartphones—iPhone, BlackBerry, Android phones and their ilk—outnumbered traditional feature phones. When private individuals use smartphones haphazardly, they put themselves at risk for identity theft; when employees do so, they put the business at risk. Think about all the information these phones and their apps have—email, documents, maybe even a remote desktop

connection to the office (and network). Not only that, but more and more we're using our phones for financial transactions. Soon, we'll be able to swipe our phones just like credit cards.

**“... smartphones, photocopiers and old computers are bigger risks ... accounting for 70 percent of security breaches”**

**Copiers** aren't just making copies anymore. Modern photocopiers have internal hard drives on which they record a digital file of everything your office copies. What's more, most of these devices double as printers and scanners, and—yes, you guessed it—they also record a digital file of everything your office prints or scans. Even if the copy machine is not network-connected, the existence of a hard drive with such contents out in the open office is a risk.

**Old computers** should be recycled; they contain innumerable heavy metals and other poisonous materials that are hazardous to people and the environment. While you might think that sending a machine off to be scrapped for parts and/or melted down would be enough to ensure data security, it's not. Data thieves are wise to this practice, and pay unscrupulous recycling plant workers for access to discarded computers' hard drives. Instead of simply discarding old computers, businesses need to practice data destruction. Data destruction is not just deleting files; it's overwriting the drives with obliterating 1s and 0s. For any inoperative units that can't be overwritten—or for removable media such as CDs, DVDs, etc.—shredding is appropriate.

Some insurance companies offer cyber security coverage, selling it as either a stand-alone policy or as an endorsement to a business owner's insurance policy package. Give us a call today; we can help make sure you're covered.



## Fiduciary liability—what you need to know



As an employer, you may want to provide those who work for you with a retirement plan—a noble goal that will benefit your business with employee loyalty and satisfaction. But, be aware that by doing so you may be exposed to risks that come with fiduciary responsibilities outlined in the Employee Retirement Income Security Act.

Many employers think that because they've employed a third party to administer such benefits they have protected themselves from associated risks, but fiduciary responsibilities outlined in ERISA includes a “functional definition” of fiduciary that can expose those with discretionary control over these plans to penalty for breach of responsibility.

A number of decisions, such as establishing a plan; determining which benefit package to go with; its features; and its amendments are business decisions you make on behalf of your business, not the plan. Therefore, according to the U.S. Department

of Labor Employee Benefits Security Administration, these decisions do not make you a fiduciary, subject to regulations. However, when an employer (or someone hired by the employer) takes steps to implement these decisions, that person is acting on behalf of the plan and, in carrying out these actions, may be a fiduciary.

So, the risk goes beyond vendors managing the benefit plan to the company, board of directors, executive officers and human resources departments. And, the risks can be hefty. According to available industry statistics, the average award for breach of fiduciary duty against an employer is \$994,000 and the average defense costs are \$365,000.

If this hasn't made you nervous yet, consider that fiduciary risk is not covered by your directors & officers or general liability policy.

We don't want to deter you from planning for the future for you and your employees—it's a good thing to do. But, we do want to discuss the importance of having a fiduciary liability policy if you do. Call our agency today.

## News from our agency

### Referrals welcome

Everyone has heard a friend recount a nightmarish story about an 800-number insurance company they thought they'd save money with for 15 minutes of their time ... only to find they were never told what their policy did and didn't cover until after they had a claim. As a professional, independent insurance agency, we pride ourselves on our availability to our clients. We take a proactive approach to make sure each person receives and understands his or her insurance policy and, if a problem ever does occur, we will be there to fix it as fast as possible.

The next time you hear friends complain about their insurance, refer them to our agency, and explain that there are some professionals in the insurance field who value customer satisfaction and attentive personal service. There's no greater compliment we can receive than your referral.

