

THE INSURANCE REPORTER

Commercial Insurance

Business Interruption Insurance - A Necessity Often Overlooked

What is the purpose of all businesses? They own property, buy raw stock, install machinery allowing them to convert that raw stock into finished product, and employ people for one purpose only — to help the business make money.

Few business owners would dare think of leaving their buildings and their contents uninsured. Yet, most business owners today either have inadequate insurance coverage or no coverage on the real purpose of their business — the earnings they produce. Continued business income is just as important to a "disabled" enterprise as continued wages are to an individual who might be sick or disabled.

Business insurance is "accident" insurance for a business: it maintains a regular flow of earnings after the



business has been wholly or partially disabled by a disaster. In other words, business interruption insurance is designed to do for the business what the business would have done for itself had no loss occurred. More specifically, its purpose is to pay for the lost net profits of the business plus any continuing expenses occurring during "down time" caused by a peril covered by the policy.

Provision for others is a fundamental responsibility of human life

Woodrow Wilson

There are two things to aim at in life: first, to get what you want, and after that to enjoy it. Only the wisest of mankind achieve the second

Logan Pearsall Smith

Courage is what it takes to stand up and speak; courage is also what it takes to sit down and listen.

Anonymous

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Types of Business Interruption Insurance

There are many different forms of business interruption insurance. A complete analysis by your insurance professional is in order to determine which type of business interruption insurance is best suited for your business needs. Most manufacturing firms will require **Gross Earnings Insurance**. When the value of a firm's future gross earnings is properly estimated, any non-continuing expenses may be deducted from it to arrive at the firm's net profit plus continuing expenses.

A continuation of a stream of profit is thus allowed to flow through to the firm, and can even compensate key employees who might otherwise be lured away during an enforced shut-down.

Many commercial enterprises cannot

afford a shut-down and must remain in operation even though property has been damaged either because of the nature of the business or because a shut-down might result in a permanent loss of business. Banks, dairies, bakeries and newspapers, for example, need to make arrangements for continued operation even if a permanent location is damaged or destroyed. In this instance **Extra Expense Insurance** is more appropriate to pay expenses which are over and above normal expenses to keep the insured in business. Overtime wages for employees, extra travel, working with substitute or makeshift facilities, would be covered by Extra Expense Insurance. In other words, Extra Expense Insurance is intended to keep the business's "name in lights" at all cost.

These are just two examples of Business Interruption Coverage that might be tailored to your specific need.

Personal Insurance

Is Your Homeowners' Policy Up-To-Date?

All homeowners' policies are not alike. Review of your coverage needs and policy components will help you assess your homeowners' policy and coverage.

How Much Do You Need? After excluding the value of your land, determine how much it would cost you to rebuild your home in the event of a total disaster. Your insurance company or a property appraiser can provide an appraisal based on building costs per square foot. Make sure not to over-insure or under-insure; minimum protection is 80 percent of the replacement cost. Some mortgage lenders and insurance companies recommend insuring at 100 percent. The choice is yours, but if you choose 100 percent, be sure that the

replacement cost endorsement is attached to your policy.

What Types Of Policies Are Available? The HO3 is the most common type. It covers the house, its contents, shrubs, trees and other outside structures such as a tool shed or garage, and insures against hazards "**ALL RISK**" coverage to your house and Broad perils to your personal property, giving maximum protection (excepting, for example, those risks such as flood, earthquake, war or nuclear accident specifically excluded in all policies).



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"It's a funny thing about life: If you refuse to accept anything but the best, you very often get it."

*W. Somerset
Maugham*

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TEST YOUR IQ

READ this sentence:

FINISHED FILES ARE THE RESULT OF YEARS OF SCIENTIFIC STUDY COMBINED WITH THE EXPERIENCE OF YEARS.

Now count the F's above. Count them ONLY ONCE -do not go back nor count them again.

If you think you're right, continue to read.

There are six F's in the sentence. One of average intelligence finds three of them. If you spotted four, you're above average. If you hit five, you can turn up your nose at most anybody. If you caught six, you're a genius and almost too good to be wasting your time on foolishness like this.

Anonymous

How Much Loss Is Paid? There are two types of coverage plans for loss. One is on an actual cash value basis, the other on a replacement value basis. If you are paid on a cost basis, it means you get your original cost minus the depreciation.

Replacement value means that whatever the cost is today, that is what you receive, less your deductible. For instance, if your television set is 10 years old, it would be worth almost nothing today on an actual cash value basis since there is deduction for depreciation and obsolescence. Therefore, it might be appropriate to change a policy from an actual cash value basis to replacement value since most homes are equipped with modern appliances. This change may add about \$50-\$100 per year to your premium, but could be worth it.

How Are Valuable Possessions Covered? Standard policies insure personal property for 50 percent of the coverage on the house. This means that if the house is insured for \$100,000, the contents are insured for \$50,000. If you take an inventory of your personal belongings and estimate their replacement cost today, this will give you a good idea of whether or not you have sufficient coverage. If you do not, contact our office to discuss special provisions for increasing coverage or **Scheduling** valuable or unique items separately.

How Much Liability Coverage Should You Have? The liability portion of homeowners' policies covers everyone in the family, including pets, against personal injury or property damage to others due to negligence on or off the premises. This basic coverage is good because it includes medical expenses as a result of injuries and pays any legal fees in the event you are

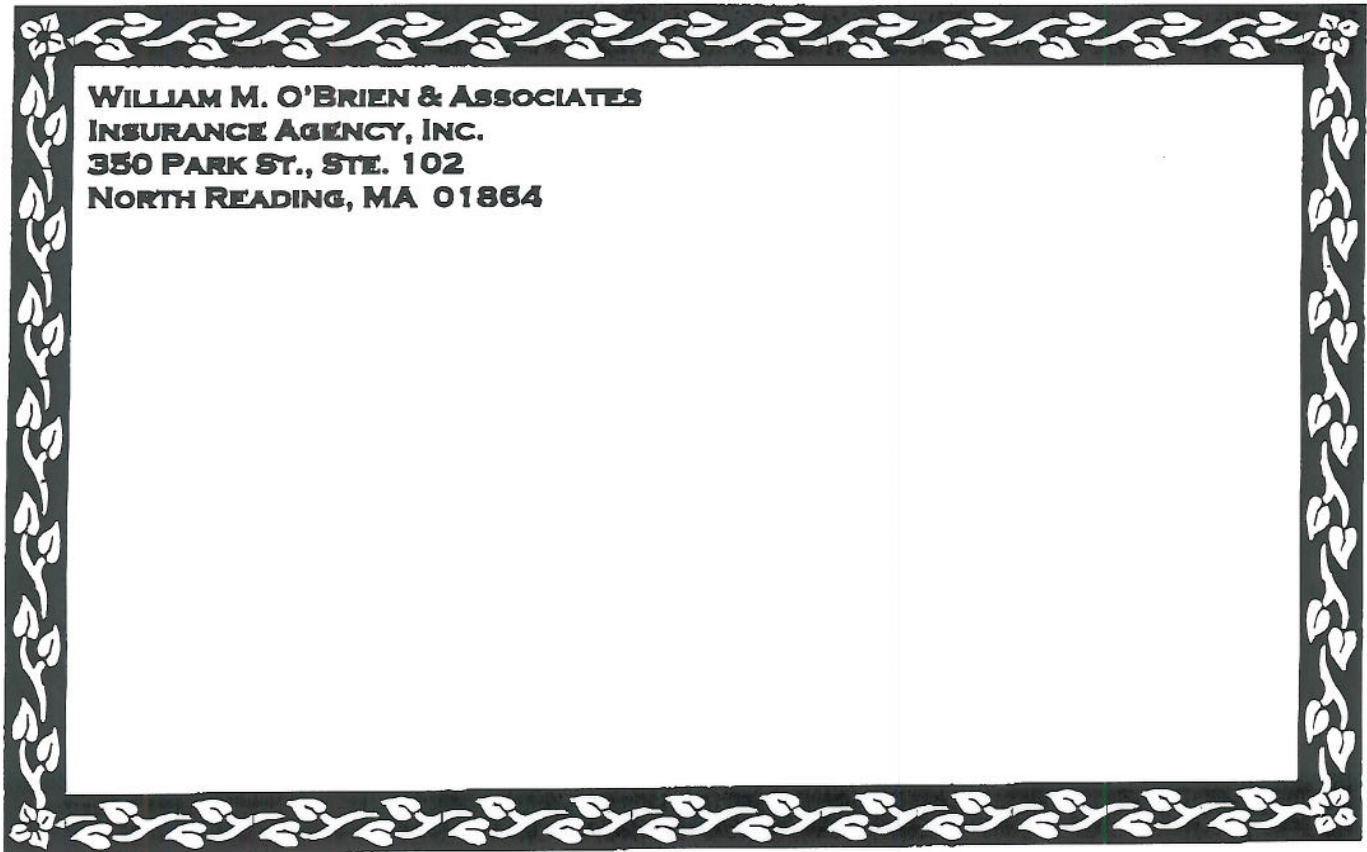
sued. Coverage generally allows \$100,000 for the liability and \$1,000 for medical expenses. Higher limits can and should be purchased either under your homeowner's policy or an umbrella policy.

How You Can Save Money On A Homeowner's Policy: You might want to share some risks with your insurance company by accepting a higher deductible. If you do, it is possible that a \$250 deductible instead of a \$100 deductible could save you about 10 percent of your premium cost. The higher the deductible, the greater the reduction in your premium.

Some companies have discounts for clients who secure their homes from theft or fire. The installation of dead-bolt locks or fire extinguishers, for instance, could reduce your premium as much as 5 percent. It is worth noting that some companies have discounts for non-smokers, as well.

Retired homeowners and homes under a certain age are eligible for additional discounts. Coverage by the same insurance company for both automobile and homeowner's insurance could provide even more credit. Each state has its own insurance regulations, however, these savings may vary.

Review your homeowner's policy at least once a year. Be practical enough and certain that your coverage is keeping up with inflation. If you put an addition on your home or buy a personal computer, add this coverage to your policy. In addition, read all the enclosures that accompany your policy. They may be informing you of some new discounts or policies that are essential to your coverage.



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So what do we do? Anything. Something.
So long as we just don't sit there. If we screw it up, start over. Try something else. If we wait until we've satisfied all the uncertainties, it may be too late.

Lee Lucocca

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Insurance Policy*

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Life Insurance**

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