COMMERCIAL SPECIALISTS INSURANCE SERVICES

100 East Thousand Oks Blvd. Suite 187
Thousand Oaks, CA 91360

P: 888.501.2747
F: 888.502.2747
E: info@csisonline.com

Business to Business

volume 40 • issue 5

Insuring Your Items in Transit

A good contract will stipulate who is responsible for property in transit, but all parties to the transaction—senders, receivers and carriers—should be certain their interests in the property are fully protected, from pickup through delivery.

Senders and receivers can be most at risk because their standard property coverages typically limit coverage for items while in transit. Occasional senders and receivers may rely upon the carrier, subject to contractual requirements, to provide the coverage. Those who regularly ship items as a part of their business, however, may also decide that purchasing their own policies for property in transit is the best way to guarantee protection. This can take the form of a cargo or transit policy, both of which typically provide broad coverage.

To decide if cargo or transit coverage is right for you, follow this three-step process:

1. Review existing and new shipping contracts to determine insurance responsibility.
2. Review your existing property insurance for information on coverage for property in transit.
3. Talk with us about how to make sure you have a comprehensive protection program for your valuable property, wherever it may be located.

Flood Insurance with Contents Coverage

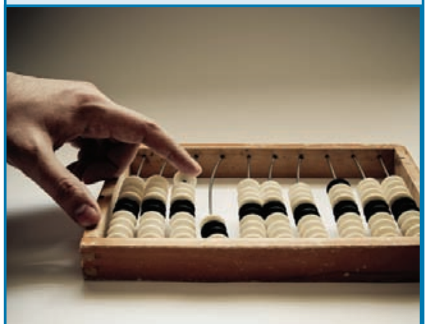
Floodwaters can be devastating to a business that doesn't carry flood insurance. Almost 40% of small businesses never reopen their doors following a flood-related disaster, because just a few inches of water can cause tens of thousands of dollars in damage.

The average commercial flood claim amounts to more than $85,000. Standard business property policies do not provide flood coverage, so businesses that don't have a flood policy will have no insurance protection for their losses.

Flood insurance costs vary depending on how much insurance is purchased, what it covers, and the property's flood risk. You can opt to cover just your building, but insurance for your contents is also available. An excess flood policy can increase your limits of coverage if the standard amount of insurance isn't enough.

Remember, there is typically a 30-day waiting period from the date of purchase to when your policy goes into effect, so talk to us today about insuring your business against flood damage.

Tweaking Business Property Coverage



The standard commercial property policy contains within it coverage for business personal property, which is property that is not a part of your building. The coverage is pretty comprehensive and can even include items you have at your business that you don't want to pay to insure.

For example, a concrete company may have a significant amount of concrete pipe stored on premises that the owner doesn't feel is sufficiently at risk to merit insuring. Since the pipe is considered "stock," it fits the policy definition of "covered property," and the value of the pipe must be included within the policy's coverage in order to avoid a costly penalty for underinsurance. If the company wishes not to insure the pipe, it must specifically remove the property from coverage via an "endorsement" to the policy.

Tweaking your policy to cover your business personal property allows you to achieve a more tailored plan of insurance, which can improve your coverage and your pricing.

It Wasn't Damaged, It Broke Down

A standard commercial property policy will usually insure business equipment if it is damaged by a covered peril, such as fire, windstorm or vandalism. But what if a critical piece of equipment simply breaks down, shuttering your business until repairs can be made? Most likely you'll be out of luck. If you are relying on a basic property policy without equipment breakdown coverage, you won't have protection.

Equipment breakdown insurance covers perils that are excluded from standard property insurance. Those include, but aren't limited to, electricity surges, mechanical breakdown, explosion or collapse of pressurized chambers, overheating, and the like. Imagine the copy center whose main copier overheats and cannot be used until a repair part arrives in three days' time or the auto body shop whose only lift malfunctions and has to be completely rebuilt. Without equipment breakdown insurance, these businesses would suffer unrecoupable income loss.

With equipment breakdown coverage, it is possible to cover lost income, lost property due to the breakdown (such as medicines, food or other items), extra expenses, and repair or replacement of the machinery. It all depends on the wording in your policy.

If you rely on critical business machines, talk to us about your options for insuring against equipment breakdown losses.

Power Outages Can Destroy a Business

In today's businesses, ready access to utilities is no longer an option—it is a must. Loss of electricity, gas, water or Internet access can shut an enterprise down temporarily. If there's no insurance coverage for the lost income, destroyed property, or recovery costs, a serious utility outage could close a business for good.

Certain businesses are highly susceptible to major property losses when power is out for even a short period: for example, an Internet server business that loses transmission capability; a pharmaceutical storage facility that loses delicate temperature maintenance; or a biofarming business that requires constant heat and humidity control for its greenhouses. You may think a generator backup is sufficient, but if that system were to fail, what protection from loss would you have?

Adequate insurance coverage for property damaged by lack of power is essential, yet most standard property policies do not cover losses caused by off-premises power failure, regardless of the actual cause of the failure. There are additions to your policy, called endorsements, that are available to close this potentially devastating gap in your insurance protection.

Talk to us about business interruption insurance with service interruption coverage, especially if your business is vulnerable to property losses that result from utility failures.

Rebuilding to Code

Federal, state, and local governments all have the ability to change the standards, or codes, by which buildings must be constructed.

Such codes change often and result in considerable expenses incurred when rebuilding damaged businesses. The loss can be made far worse if the ordinance or law contains conditions requiring the demolition and reconstruction of an otherwise undamaged part of the building.

To deal with these potential expenses, building owners should consider purchasing Ordinance and Law coverage. This coverage is commonly divided into three parts:

Coverage A. This covers the loss of value to the undamaged portion of the building. For example, an owner has a building that will cost $1 million to replace. A fire blazes, causing direct damage to 75% of the building. The local ordinance requires that any building that has more than 50% of its value in damage be completely demolished before rebuilding. The owner's commercial property policy will pay for only direct physical damage to covered property—in this case, $750,000. Coverage A will pay the additional $250,000 needed to replace the undamaged portion of the building that was ordered demolished. Coverage A usually shares the limit of insurance indicated for the building on the commercial property policy.

Coverage B. This covers the cost to demolish the undamaged portion of the building as ordered by the ordinance. Coverage B has its own limit of insurance.

Coverage C. This covers the increased cost of construction associated with an ordinance or law. For example, a new county ordinance now requires the same building to be built with wind-resistant windows. Coverage C will cover additional costs associated with installing these windows. Coverage C has its own limit of insurance.

Additional Insureds Use Your Limits Before Theirs

A common request in business dealings is for one party to request that it be added as an additional insured to the other party's liability policy. While it is generally not difficult to do so by the proper endorsement, it is important for you to understand the potential effects such an endorsement can have on your limits of coverage.

When adding an insured, you are granting the additional party direct access to your policy limits for liability arising out of that party's ongoing operations with you, as provided by the endorsement. This increases your exposure to risk and, thus, creates a need for higher limits.

If you are wondering if that increased need will be offset to some extent by any limits the additional insured is carrying on his own policies, consider that, under standard liability forms, your coverage will be primary over the additional insured's liability coverage for the loss. Simply put, if you both are brought into a claim, your liability limits must first be exhausted before the additional insured's liability policy (if existent) is even recognized.

Your liability limits must be exhausted before the additional insured's liability policy is recognized.

This is not to say adding an insured to your policy shouldn't be part of your business practices. Just keep in mind that liability insurance costs you money. So does issuing additional insured endorsements to the policy. Moreover, you want and need adequate limits of liability protection in effect to protect your business. Consider these facts the next time a request for additional insured status comes your way, and remember, we are here to help.

Thank you for your referral.

If you're pleased with us, spread the word! We'll be happy tp give the same great service to all of your friends and business associates

Are You Approaching Peak Season?

The holidays are around the corner. It's that time of year when many businesses' inventory grows substantially. Whether that "peak season" consists of weeks (bowl games, auto races) or months (holiday shopping or tourists), consider amending your business property insurance to cover your increased inventory.

The business personal property, or contents, portion of your commercial insurance policy has a fixed dollar limit. If your contents coverage is insufficient to cover your inventories when they are at their peak, you can amend your policy with a "peak season" endorsement.

This amendment to your policy allows you to pay for the normal protection you need throughout the year plus the extra protection you need during your heaviest business times. It can be a part of a business owners policy, or it can be purchased as part of a commercial property policy. Talk to your advisor about your options.