



Professional Liability & the Claims-Made Policy



Occupations or business practices involving specialized care or advice often need professional liability insurance. Typical business classifications that need this coverage would be notary publics, real estate agents or managers, attorneys, and doctors. The typical commercial policy will only respond to a bodily injury, property damage, personal injury or advertising injury claim.

The professional liability policy is written on a claims-made policy form. The claims-made form requires the claim to be reported during the policy period, and the incident causing the claim must have occurred after the retro date for a claim to be covered. A retro date is a date prior to the start of the claims-made policy. The retro date could be years prior to the start date of the policy based on the underwriter's discretion, after considering the applicants past exposures and loss history.

By comparison, the typical occurrence-based policy used in most commercial policies responds to claims that occur during the policy period, regardless of when reported subject to statutes of limitations. The occurrence-based policy handles when the claim happens, and the claims-made policy considers when the claim is reported. In some cases, it is possible to purchase a claims-made policy with full prior acts coverage that essentially does away with a retro date. Coverage classes for this option are limited, and again, dependent on the underwriter's discretion.

When canceling an existing claims-made policy, it is usually advisable to purchase an extended reporting period. This is commonly referred to as tail coverage. Various lengths of time are available. Tail coverage extends the claim reporting period under the claims-made policy to cover claims that have occurred during the coverage period, and not yet reported by the cancellation date.

While most occurrence-based policies are somewhat similar, claims-made policies are usually specific to each company issuing the policy. The insurance agent must do a careful review of these differences to determine applicability to a particular operation.

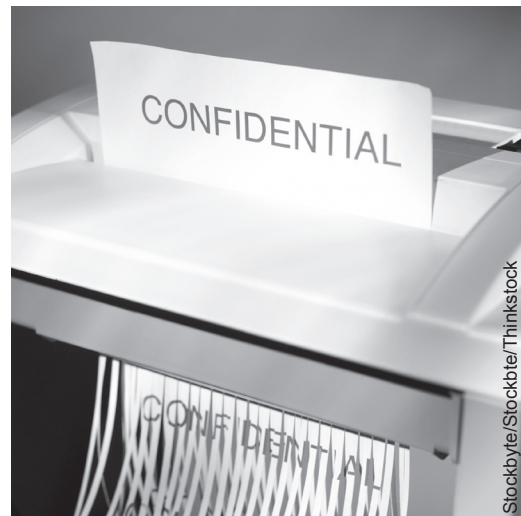
Protecting Your Customer's Sensitive Information

Businesses subject to the Financial Modernization Act of 1999 (also known as the Graham-Leach-Bliley Act) are required to comply with provisions that protect personal and financial information of customers. Even companies that do not fall under the act should exercise extreme care with customer information to maintain the trust and confidence of their customers.

Companies should develop a written information security plan that describes, among other things, the specific ways their employees should protect consumer information.

Sloppy handling of personal and identifying information can be devastating to a small business. A breach of security of this information can lead to personal identification theft of customers, and can open the company up to liability. The loss of reputation alone can destroy an otherwise successful company. So how can your company take steps to protect your customer's information? Here are five steps that you might consider implementing:

1. Create a paper trail that documents your operation. Once you know where the trail starts and ends, you can analyze each step and develop a plan ensuring security of the information. Limit access to sensitive data when possible and dispose of sensitive documents by shredding.
2. Electronic data should be protected with passwords and encryption.
3. If you use third-party services in the process of taking care of your customers, make sure they adhere to strict privacy standards. Ask for a copy of their privacy guidelines.
4. Regularly communicate with employees regarding your company's privacy activities. Reference compliance within your employee handbook.
5. Have a plan to guide you if there is a breach of security. Know who to contact, what data to protect and how long it should take to plug the gap. You should also have a plan for notifying affected customers in the event of a breach.



Ordinance Or Law Insurance

Ordinance or law insurance covers the costs associated with having to demolish and rebuild to code when your building has been partially destroyed. Municipalities establish guidelines to follow when a building must be demolished after being partially damaged. Often, if the building is more than 50 percent damaged, the local ordinance will require demolition and total reconstruction. The cost to demolish and rebuild the undamaged portion of the building then falls to the building owner. Insurance pays to repair or replace damaged property.

Another overlooked exposure to a building owner is the increased cost of construction to rebuild a building to current building codes. Property insurance covers replacing

what was there before the claim, not the upgrade. This is not an uncommon occurrence, especially in older buildings.

There is an endorsement that we can add to your program that will satisfy all the exposures detailed above. Your policy will list this endorsement and its premium charge clearly if you already have the coverage. If you don't see this endorsement in your policy, or you have questions about this article, please give our office a call and we will be happy to spend time with you discussing your particular needs.