



## Claims-Made Coverage

The insurance industry experienced a liability crisis during the mid-1980s that changed the industry forever. Insurance companies received decades-old claims for asbestosis and pollution damages, while the courts introduced new legal theories to ensure that policyholders had coverage and victims were compensated.

The court's new interpretation of "occurrence," as used in then-current policies, created a pricing problem for the insurance industry, since the companies had to calculate current premiums for losses that might not be submitted for 20 years or more. If companies didn't develop another approach to deal with these highly-volatile exposures, premiums would have easily doubled or tripled.

The claims-made policy offered a solution to those problems. The use of claims-made policies is quite popular in professional liability and manufacturing liability, but can be used with other types of exposures. In a claims-made policy, coverage is triggered if the claim is made during the policy period for an injury or damage that occurred after the policy's inception date, or in some cases, the retroactive date. It is extremely important that the policyholder report any circumstances that might result in a claim to the insurance company, in the event it unfolds into an actual claim. This way the date of the wrongful act has been established.

By comparison, the typical occurrence-based policy requires the claim occur during the active term of the policy. The claim can actually be made after the policy cancellation as long as the wrongful act giving rise to the claim occurred during the policy term.

But, what happens if the policyholder wishes to change insurers? Typically, after careful underwriting, the new insurer may accept the policy without special provisions,

while other times, based on the claim experience, or the risky nature of a business, the new company may extend to the policyholder an offer of coverage utilizing a retroactive date. The insurer is saying that they are not willing to take the risk of covering all past wrongful acts, but willing to accept a specific period of time. The retro date states that only wrongful acts that occurred after the retro date will be



covered if reported during the new policy period. The retro date will encompass a period of time prior to the inception date of the new policy.

If a new insurer is not interested in providing prior wrongful acts coverage, and makes the retro date the same as the new policy's inception date, the policyholder has another option. A coverage tail might be available from the previous insurer that would extend the claim-reporting period anywhere from one to 10 years from the policy cancellation date. The longer the period of extended reporting, the more expensive the premium.

Give us a call if you have any questions about your own insurance coverage.

## Commercial Property Coverage

Coverage under the commercial property (CP) policy is for property only. A separate policy form provides liability. The CP policy covers buildings, the insured's personal property, and under certain circumstances, personal property of others. For coverage to apply, there must be a limit shown in the declarations for that type of property.

Insurance contract interpretation relies on meanings disclosed in common usage dictionaries, unless the term is specifically defined in the policy. Building means the building or structure described in the declarations. Further definition is unnecessary since the only question that would arise in the event of a claim is if the building or structure is described in the declarations.

Coverage under building coverage applies to five other classes of property:

1. Completed additions to any building or structure described in the declarations.
2. Fixtures, including outdoor fixtures.
3. Permanently installed machinery or equipment.
4. Personal property used to maintain the building, structures or premises.
5. Additions under construction or alteration and repairs to the building or structure.

While completed additions to an insured building or structure are automatically covered, it is important to pay attention to the coinsurance requirement in the policy. To make sure that you maintain the proper coinsurance amount, it is important for you to contact us immediately when you start construction.

Fixture means something that is fixed or attached as a permanent attachment or as a structural part. An outdoor light attached to the building would be covered as a fixture. Outdoor furniture would not automatically be covered as a fixture.

Many businesses utilize equipment that is installed permanently. That does not mean that it has to become an integral part of the structure, but that it is installed without the ability to simply move it around without a significant effort to uninstall the piece of equipment. Examples would be a printing press or milling machine.

Personal property used to maintain the premises might include mowers and snow blowers, fire extinguishing

equipment, floor coverings, or appliances for refrigeration or cooking. Items of personal property for the maintenance of the premises could be considered part of the building, but again, maintaining coinsurance is important.

Additions under construction or alteration and repairs to the building or structure are covered. Materials, equipment, supplies and temporary structures within 100 feet of the described premises would be covered unless there is other insurance applying. For these items to have coverage, the policyholder must have an insurable interest.

There is nothing simple about making these judgments, so it is important that you have someone who has a good understanding of commercial insurance to help guide you through this maze. We stand ready to help you with any of your insurance needs.

## Keeping Meetings Manageable

Keeping meetings short and productive isn't easy. Some companies use unconventional techniques to reduce the amount of time spent in meetings and to make them more productive. When you consider how many man-hours are wasted in unproductive meetings, the cost component becomes glaringly apparent.

Google uses a very structured meeting mechanism where they allow only a certain amount of time for each topic. They project a timer on a wall in the meeting. The timer counts down the amount of time left for a particular topic, maintaining a good pace for the meeting. Another popular method of maintaining focus requires attendees deposit their electronic devices, like blackberries and laptops, at the door.

These methods are useless without a strong meeting leader with a good agenda. The meeting leader has the responsibility of maintaining focus, and if necessary, cutting off long-winded discussions.

Efficient meetings help establish a corporate culture that respects and values everyone's time.



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