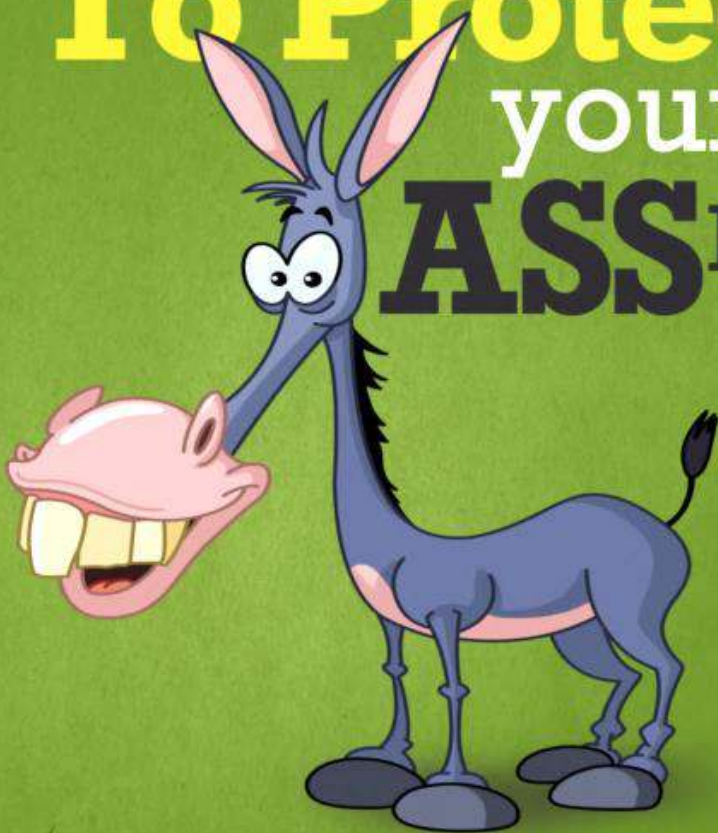


24 **THINGS**
YOU NEED
TO KNOW
To Protect
your
ASSETS



BY **JEFF ROY** AND **UNA ROY**

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INTRODUCTION

So it's time to buy insurance, and you're clueless? Don't panic. If you don't even know the questions to ask—much less the answers to the questions—you're about where most of us are when we start out.

Fortunately, the basic elements of insurance aren't hard to grasp, once you know them. And in this short book, we will do our best to help you get a firm grip on the basics!

You say you want to drive with peace of mind. My auto insurance section spells out what will make you both “legal” and safe on the road. Got an RV, a boat, a motorcycle, or an ATV? We will talk about those, too. When it is time to move into those new digs, you will know how to keep your “stuff” safe—and if you want to become a real estate magnate, we will help you avoid insurance headaches.

And that's just in the Personal Insurance section!

From buying your first “basic transportation” to starting and protecting a business—from assisting you with personal liability issues to safeguarding you against millions of dollars in catastrophic loss—We hope you'll use this simple guide to learn how to construct your personal “safety nets” against life's inevitable risks. Above all, insurance is about peace of mind. We hope this helps you know what to ask, and how to plan your insurance purchases, so that priceless—and important—asset is always within your grasp.

We are always here to answer questions. Call us at 519-482-9357 or 1-800-361-1072

(Jeff and Una Roy)

Chapter 1

Isn't Insurance Just All About Price?

Inurance companies online are spending billions of dollars every year to convince you that price is the only thing to consider when buying an Insurance policy. We have all seen the caveman, Flo, and the lizard make us laugh by focusing on how much money they could save you on Insurance. As professionals in the business, we want to be the adults in the room and make sure the focus is on your protection.

In almost every case, we can put a package together for a family that not only saves them money but also eliminates gaps and overlaps in coverage. Since insurance is not something you can touch or feel, consumers seem to be drawn to the cheapest price insurance. Keep in mind that *Premium + an unpaid claim is the real price of going with the cheapest.*

Most people want to make sure they are getting the best deal for their insurance, but the inconvenient truth is that **the best price is rarely the very best coverage or claims pay ability.**

Don't get me wrong; price is very important, but if price was the only thing that was important, everyone would stay at the Days Inn and drive a Kia.

After price, another thing you will notice right away is that most insurance companies do not explain their coverage very well. Many people today are ignorant as to what insurance is and what their policy actually covers. Who is going to want to buy a policy that is vague and undefined? Who is going to do business with a company

that just promotes their name but gives little information about why insurance is important?

Therefore, this book is not going to sell you on any one company. Rather, it is going to explain how the insurance industry works and what you as a consumer can expect. It is going to explain why you personally need insurance and what you need to be looking for when shopping for a policy. That brings us to another crucial issue...

Why We Don't Like to Talk About Insurance

Unbelievably, the majority of intelligent people out there are willing to talk about the idea of insurance. The idea behind insurance coverage is actually a good one. Why pay for your property damages out-of-pocket or out of your savings account when instead you can transfer the risk to an insurance company? Knowing this to be true, why isn't the average Canadian more concerned with securing the proper insurance coverage? Probably because of one of the following:

1. You think the policy you already have is as good as it gets.
2. You think switching insurance companies is complicated.
3. You do not have the time to deal with insurance with everything else you have going on.
4. You are afraid to question your current broker.
5. You do not like the person trying to sell you insurance. (Hey, it happens!)
6. You have had negative experiences with a particular company.
7. You do not see any advantage to switching insurance companies.
8. You bought insurance only because it was required by law.

These are the most common reasons that people close their mind to new insurance opportunities. Most insurance brokers or insurance companies do not immediately address these claims, so the consumer sees no need for further investigation. The potential

customer then views insurance talk as a waste of time because there is no personal appeal there.

This mindset stems from the fact that **most insurance companies fail to make an effort to reach consumers on a personal level**. Now what if they said something with personal value like: *“Did you know you could save money on car insurance even if you have a hot rod teenage driver?”*

If you are a teenager or a parent, then your interest is piqued. Most Canadians recognize that insurance coverage is a good thing, but there is a communication problem between the insured and the insurance company. This is why insurance brokers were created, as the **advisors** to help you, as the consumer, make the right decision for your family.

Furthermore, a broker can help you to understand the consequences of your policy when or if you have a claim and need to use it. Most people shop for the least expensive policy but expect the best coverage when they file a claim; **a professional insurance broker can help you find the best coverage at the best price**. We will talk more about that later as we discuss the right kind of coverage to have.

Why Do We Not Trust Insurance Companies?

There is no reason to fear the insurance companies. Some of you out there may already have a bad impression about insurance companies, but in most cases, they do a very good job with the large majority of the claims they are involved in.

Wait a minute – but you know friends of friends who were screwed over by an insurance company, right? Yes, in some cases the insurance company drops the ball; but it is a one in a million type scenario, and it is hard to see the other side if you are indeed the one who had an issue.

From my perspective, I have seen hundreds and hundreds of claims paid and the clients are very happy in the end with how they were treated.

Of course, if the insurance company covered every loss you reported and offered to pay your life insurance policy regardless of the reason for death, you would be happy. If the auto insurance company paid for your damages on the basis that the accident caused you stress, you would be happy. If only we could be paid for our stress!

In a perfect world, yes, this would all be great. Unfortunately, we do not live in a perfect world. Insurance companies cannot afford to cover every single incident that occurs. If all of the major insurance companies started to operate in this scenario, do you know what would happen? They would all go bankrupt!

Just imagine what it would do to the insurance industry if every single claim were paid. The only way these businesses can stay in business is if there is a profit. The insurance companies count on the majority of policies going unpaid and set prices accordingly.

How the Insurance Companies Work

Insurance is a form of risk management and is used as a hedge against the risk of a contingent loss. You, as the insured, are protecting yourself against these big losses by transferring the risk to another party. In exchange, you pay the premium. In exchange for an affordable premium, you will pay a **deductible**, meaning this is the amount you pay on your own (increasing your deductible will lower your premium.)

The responsibility of the insurance company is to protect you against a devastating loss. However, in order for all parties to agree on the financial obligations, there must be limits placed on how much loss is coverable. If an insurance company decides that a certain term or incident is not coverable in the contract, that means they cannot afford this type of loss and cannot afford to make payments under these terms.

How do insurance companies determine what types of losses they can cover? The decision is based on miles and miles of insurance data. This data is based on historical dealings companies have had with people in similar circumstances to your own.

Why Insurance Matters to You

You may discover that one insurance company, or insurance broker, is willing to offer you a better deal on your insurance policy than your current provider; but what you need to remember is **insurance is not just about who has the best price.**

The large direct carriers have spent millions of dollars trying to convince you that price is all that matters. Price is very important; but as we said before if price were the only thing that was important, everyone would stay at the Days Inn and drive a Kia.

Over the next twenty-three chapters, this book will detail some of the **inside secrets** of the insurance industry: how to choose between insurance companies and insurance brokers; auto insurance; homeowners insurance; farm insurance, life insurance; umbrella insurance; and commercial/business insurance.

The final section of this book will teach you how to, quite literally, sell yourself to an insurance company and get the best rate possible.

At the end of the day, insurance definitely matters to you. **Insurance is all about protecting you and your family.**

It is very easy to lose track of reality when we chase our dreams. You could spend your entire life planning for the future and building that golden “nest egg” that is going to help you survive into the new age—*But what happens when a major accident or natural disaster occurs?*

Nobody thinks it will happen to them—until it does!

No, the insurance company is not going to take care of all your debts for you. They may not be able to cover every major catastrophe that happens in your life. *However, they will be able to*

cover most of your risk. When times are tough, that “lending hand” can mean a lot. Your insurance company can help you recover from adversity and get you back on your feet.

That is why insurance matters.

Try not to think about insurance in terms of the chance of loss. If you are looking to gamble, the best place to go is Vegas or New Orleans. You are not going to “win” with an insurance company. In fact, nobody wins in this type of scenario.



If you suffer damages such as the loss of your home or automobile, then you have lost something important to you that you will never get back. Even if you do get money back from the insurance company, you will have not gained anything. The insurance company has also suffered a great loss. *The good news is that the insurance company can help you recover financially.*

This is what the insurance industry calls the “*consequence of loss*”; when the loss—as unlikely as it may be—is too catastrophic to risk. **An organized and shrewd thinker always factors the worst-case scenario into his/her plans.** This is the very definition of insurance.

Even if the odds are stacked against you suffering any great loss, that 10% chance is more than you can afford. What will you do if your car is totaled by a student driver? (Oh yes, watch out for those guys) What will you do if your house is blown away by a tornado? The Wizard of Oz is not going to help you!

All right, enough silliness. Moving on to Chapter 2, we will discuss the role of the insurance company, insurance broker and you, the insured. **Does it really matter which insurance broker you work with?** The answer may surprise you...

Chapter 2

Not All Brokerages Are Created Equal

Let's review some basics about the role of the insurance company and the insurance broker. The insurance company is referred to as the **insurer**, while the client or clients covered under one policy are known as the **insured** or the **policyholder**. In a simple world, we, the consumers, would simply negotiate with the insurance provider and negotiate a simple contract. However, this is a complex world and communication is not always that direct.

In case you have not figured it out, the average insurance company underwriter is not exactly a “people person.” These geniuses have too much going on inside their heads to have to worry about sales and marketing. Okay, so you do not believe that. Just know that they are happy to delegate some responsibility.

The sales and marketing is delegated to the insurance broker, the party you will mainly be dealing with. The insurance broker sells all sorts of insurance policies and has numerous clients. Insurance brokers put a friendly face to the whole idea of insurance. They patiently answer questions and can customize a policy for you that meets all of your needs.

A broker does not just help you find a policy; your friendly neighborhood broker actually provides a number of different services related to your insurance coverage. Think of yourself as Hollywood talent and your insurance broker as the mastermind who makes life easy for you.

So here's a tough question. What is the difference between an insurance company, an online insurance website and an insurance broker? No, this isn't the set up to a bad joke. Honestly, this is one of the reasons so many people hate insurance! It is so confusing. Okay, let's break it down...

Insurance Company: These are the people with the money who insure your car, house, life and so forth. At the end of the day, this is who is cutting you a cheque in the event of a covered claim.

Online Website: Insurance companies are spending millions to direct you to the internet for your insurance. This approach tends to take the human element out of the process. Imagine you are in an accident, standing on the side of the road, and need to call someone for help. You can dial the 1-800 number of your online insurance company and try pressing "0" six times, frantically trying to find a human being; but it is hit or miss.

Wouldn't you rather have a real person whom you know and trust help guide you in your time of need? The Geico Lizard is very cute and quite funny, but he does not know you or know how to protect your family and certainly won't show up at your accident site.

Insurance Broker: These are the guys (or girls) who search various insurance companies and who find you a great deal on premiums, while at the same time protecting you. They offer "the human element", a thinking and feeling person who can work out scenarios in their head and provide you with a custom deal. (Smart app available with Excalibur Insurance is like having your Broker in the palm of your hand).

Insurance brokers can offer you professional guidance as you sort through all of the available options. They not only help you choose a good insurance policy, but also help you through the complicated application process and answer any questions you may have.



Insurance brokers are also a form of protection. They can fight for you if there are claims and suggest safe practices to avoid catastrophe. *Insurance brokers are accountable to you, the client.* If they are good, they will use the heart of a teacher to make sure you understand as much of this complicated process as possible. They also study the insurance policies and the “rating” of the insurer before they recommend them to you.

The insurance broker is really your best friend in the insurance world. They work long, hard hours to make sure you are happy with your policy and all is right in the world. *It does not cost you anything to have the added service of a broker.* The insurance companies pay brokers instead of paying for advertising with the online providers, so you are best served to take advantage of it.

What to Expect From an Insurance Company

Let’s talk about what you can realistically expect from an insurance company. Despite the bad rap insurance companies get, they actually do want your business. Right now is a critical time for the insurance industry, just as it is for every other type of business out there. Insurance companies are losing money and looking for good quality clients who take life seriously.

What you should prepare yourself for is the business side of the insurance industry. You are going to be evaluated according to some very basic demographic information. For example, with auto insurance you may be partially judged by your age. You can’t take any of this statistical reporting personally. It is sometimes a bit cold and impersonal, but in the end, statistics are startlingly accurate.

The insurance company is looking for a reason to disqualify you, or at least to spike up your premium rates. Think of the average insurance company like a broken-hearted lover who is afraid to trust again. This means the more responsibility you take, the more you prove yourself capable of managing your life, the better you will get along with the insurance provider. (Just don’t try to fall in love with your insurance agent; that would just be weird.)



That said; I am not exactly wearing rose-colored glasses here. Not every insurance company just wants to help people. In fact, *I would be lying if I said that there is no such thing as a bad insurance company.*

It is unfortunate that you are put in the position of having to read between the lines and recognize a good insurance company from a bad one. Relax—we are here to guide you through this mess!

What is Good Service?

You are looking for a “good” insurance company and a good broker. Wait a minute...what does that mean exactly? What is the difference between a good and bad insurance company? How can you tell a good broker from a lousy human being all around? Let’s start with a brief analysis of what these insurance parties—ideally—do for you.

The insurance company provides near perfect coverage for affordable rates. When an insurance company is accessible, reasonable and willing to stand behind their promises you know you have found a good company. If the company is willing to go the extra mile just to keep your business, then you have found a company one-step ahead of the competition. At the end of the day, you are paying for a claim cheque when you need one and a good insurance company should give you peace of mind on that end.

What qualities make a good insurance broker? Here are a few qualities that are undisputedly professional:

1. The broker has many options to choose from to find you the best deal.
2. The broker has many client testimonials he/she is happy to provide.
3. The broker has the heart of a teacher.
4. The broker understands the financials of the company as if they are his own.

5. The broker listens to you and asks meaningful questions.
6. The broker gets back to you quickly. How else can he prove how he will treat you down the road?
7. The broker works with you to make sure you are receiving every discount you deserve.
8. The broker has years of experience behind him/her.
9. The broker has the ability to secure all of your insurance needs. Who wants to have insurance placed helter-skelter with many different brokers?
10. The broker is properly licensed. You also have the ability to research the amount of complaints a licensed broker has received.

These are quite a few points to remember but they help to reemphasize basics. A good insurance broker is trustworthy, experienced and knowledgeable about the industry, and professional (and—heaven forbid—*kind!*) in all of his/her dealings. You may find a few brokers that exude at least one of these qualities, but keep searching for a broker that embodies all of these.

Broker or Agent

This is a simple question: do you want a broker who works for **you** or an agent that works for the greater good of “the company?” An Independent Insurance Broker works for YOU!

That is an easy illustration to remember, but the decision to go Agent or Broker might not be so easy. Yes, it is true Agents work exclusively for one insurance carrier and are obligated to give business primarily to that company.

Insurance Brokers do not want the restrictions of one insurance company. They have a choice which means you have a choice too. They have the advantage of representing multiple insurance companies and having no specific allegiance. Brokers have to report to RIBO as their regulatory.

Why Choose to Do Business With an Independent Insurance Broker?

This is a good question and one that deserves an easy straightforward answer.

BROKER:

1. Works on behalf of the client
2. Advocates for the rights of the client
3. Has the ability to offer choice of insurers to their clients
4. Is required to obtain continued education annually in order to provide high quality knowledgeable advice to their clients.
5. Has access to a number of regulatory bodies, i.e. RIBO and FSCO to assist with the rights of consumers.
6. Works closely with the client during the unfortunate occurrence of a claim.

AGENT:

1. Works for the insurance company
2. Advocates for the rights of the insurer
3. Is only able to offer one insurer's product
4. Has no requirements to continue their education in order to service their clients
5. Has access to just one regulator, FSCO and generally, that is to exercise their corporate rights
6. Takes over the claim as there is no intermediary to assist the client since the agent works on the insurer's behalf.

You can see that an Independent Insurance Broker is a highly educated professional that can offer you much more choice, as well as be an advocate, working on your behalf when needed.

Now that you have more details, you can rest assured that you made the right choice.

The decision becomes easier when you have the facts, especially when you know you're working with a licensed professional – an Independent Insurance Broker.

Let us Help you to be Certain you are dealing with a Superior Broker

Interview your Insurance Broker

How long have you been in business?

How many companies do you represent directly?

How do you know which insurance company is right for me?

Can you handle all of my insurance needs in your brokerage?

What are your hours of operation?

How does the renewal process work in your brokerage?

Is Your Broker One of the Top in the Industry?

The truth is that it is not difficult for one insurance broker (or even an entire brokerage) to rise above the competition. This is one industry characterized by its complacency. All that a broker needs to do in this industry to rise above the crowd is to lift up his/her head. Everyone else is lying down!

While most brokers in the industry truly want your business, they have a terrible way of showing it. The expectation, in my view, is that an office has a big red phone in the middle of it and when it rings all the employees are jumping over the desk to get to it first. It is about the culture and being obsessively preoccupied with the service of others. You should be able to feel the difference while you are talking to them.

The technological age has seemed to pass by most insurance brokers. They are still using the equivalent of a computer only to run the business. A good broker should invest in the future as it relates to technology. The broker should be communicating through their web-based agency management system, through social media, emails, text mail, whatever way you, the insured, wants to communicate with them.

A good broker should also be paperless, have desktop faxing, use comparative raters, have dual monitors and maintain a user-friendly website. Why do you care, you ask? **Because advanced technology can free up the broker to spend time taking care of you.**



Use Common Sense When Analyzing an Insurance Brokerage

When trying to choose the right insurance broker, use common sense in determining whether he is trustworthy. Be attentive to the little telling details that show what kind of person they are. While it is true that you are buying a policy and not the broker, the type of person you work with will influence the type of policy you get.

Ask yourself these questions:

- How were you treated when you called? Was the broker informative, enthusiastic and friendly?
- Is the broker really listening to your needs or is he/she just offering a default plan?
- Is the Broker professional and knowledgeable?
- Is the Brokerage innovative? Can they help you when you need them anytime?

When you work with a brokerage that has happy employees willing to help guide you to a good policy, you truly feel the difference. You should also pay attention to the turnover rate. A company that is successful is successful for a reason; they are putting forth effort.

Catastrophic Planning In Place

Whenever severe weather or other conditions threaten your home or vehicle, it is important to have information on your surroundings and possible evacuation plans in place. (Not to mention the claims of damage that may happen!)

Never assume that your insurance company or your broker has a plan in place for dealing with these circumstances.

Make sure your Broker has a plan in place! A preferred Restoration Company; back-up to be able to log your claim immediately to all companies; staff to help assist you as to what you can expect during a time of loss; and answer your questions.

Too many consumers have made the mistake of assuming that the insurance company will take care of everything, only to find out they were on their own after disaster struck.

The purpose of this chapter was to familiarize you with how brokers do business and how to choose a broker who works best for you. *You are the boss in this scenario, so let the insurance broker take care of you.* You are the one on the other end of that big red phone, and they should all be dying to talk to you!

The next chapter will consider how to look beyond the insurance broker and actually choose a policy and a company that are right for you.

Chapter 3

How Do I Know If My Insurance Company Is Good?

Research your insurance company, ask your broker. As a broker, we have a list of the top Companies in Ontario and Canada and information on their finances, history and size. We can get any information that you require. A great broker has the top companies to offer you!

If you like to research on your own, it is as easy as typing **the company name into a search engine like Google or Yahoo**. You will get information on the company, their size, their finances and history.

Turnaround Time and Other Telling Details

Turnaround time refers to the timeline in which you receive your compensation for your loss as agreed upon by both parties. This can be an excruciating wait, especially if you have significant damages. For example, an auto insurance accident claim can sometimes take as little as five business days. However, for more complicated incidents (and higher damages) *it can take as long as a month*.

For homeowners claims *it will generally take longer than an auto loss because there are more details or jobs are contracted out and that sometimes takes longer. Your Insurance Broker is there to*

make sure that all claims are handled in the best possible timeframe for the incident. They are there if you have any concerns. Your Broker is there to help you! Your broker will explain the process of the claim when you call in so that you know what to expect.

Interview with the Insurance Broker

Q: What advice do you have for a first time policyholder?

A: Do your homework. Have your information ready for your broker so that they can customize the best policy for you. We live in a very fast-paced business. Without the proper information we cannot give you the perfect policy. Our favorite clients are the ones who know exactly what they want. We want to make sure that we take care of you and give you peace of mind!

Q: How does one get discounts on their insurance policy?

A: Make sure you give your broker all your information if things change. If you are no longer driving to work or if you retire are examples for auto. If you pay off your mortgage is an example for your homeowners. Your broker will go over all the available discounts with you when you write up a new policy or when they are doing an annual review.

Q: Finally, the ultimate question: how does the insured know a good policy when it is offered?

A: We review your policies and your personal life style to make sure that you are with the best company for your needs. We have options and customize your policy for you.

Making Your Choice

Before making your final selection, refer to the list of questions below and ask yourself, “*Am I really basing my choice on logic and knowledge?*” Do not let laziness, confusion or intuition be your guide!

1. Have I identified my personal needs for my policy?

2. Can I describe what I need adequately so the broker can help me?
3. How much coverage do I need and can I afford the premium?
4. What deductible amount can I afford?
5. Am I using an independent broker who has most of the options in my area?
6. Do I know a friend or acquaintance who is insured with my choice in company? Are they satisfied and willing to talk about their policy?
7. Does the company have good word-of-mouth online and from the top rating organizations?
8. Does my broker know my full profile, including my occupation? This may play a significant part in determining the policy he recommends, because some occupations have special needs.
9. Am I getting along with my broker? Are friendly communication, trust, knowledge and professionalism being shown to me?
10. Has the company been in business a long time?
11. Does the company have a claims team, and what is the turnaround time on a claim being filed?
12. Have I read the contract carefully and do I understand all of the terms?
13. Can I think of any *exclusions or inclusions* that might arise later on?
14. Have I considered the cost of premiums compared to the potential loss, and am I confident that when a loss occurs, I will be covered?

Now that you understand a little bit more about choosing a brokerage and an insurance company, we are going to delve into some specifics about auto insurance, homeowners insurance, farm insurance, life insurance, umbrella insurance, business insurance and some other related fields. The more you know about these specific avenues of insurance, the easier it will be to communicate with your insurance broker.

We hope that this information helps you to gain some momentum in your search for the right insurance coverage and representation. Remember: **it does not cost you anything to have a broker work on your behalf.** If you do not use a broker, the direct carriers just spend the money on advertising to attract you and you lose the benefits of a broker. Let us dive into some more specifics while you are still awake...

Part I: Personal Insurance

Chapter 4 Protecting Your Ride—Auto Insurance Basics



You’ve got a ride. You’ve got wheels—of your very own. Now, you need to insure those great wheels. But where do you start? What’s the minimum coverage you have to have to be “legal”? Is that enough? How can you be sure you’re protected as well as possible?

If this seems like too many questions without answers, just relax. Auto insurance is not hard once you get familiar with a few key concepts. This short write-up will provide you with an overview of those key concepts and terms, so that when you sit down with your broker, the insurance “jargon” will not confuse you!

What is in a Standard Auto Insurance Policy?

If you own a vehicle in Ontario, you are required to, at the very least, purchase the following automobile insurance coverage:

Third-Party Liability Coverage:

This section of your automobile insurance policy protects you if someone else is killed or injured, or their property is damaged. It will pay for a claim because of a lawsuit against you up to the limit of your coverage, and will pay the costs of settling the claim. By law you must carry a minimum of \$200,000 in Third-Party Liability coverage. We recommend higher limits than the minimum and will address this topic later.

Statutory Accident Benefits Coverage:

This section of your automobile insurance policy provides you with benefits if you are injured in an automobile accident, regardless of who caused the accident including supplementary medical, rehabilitation, attendant care, caregiver, non-earner and income replacement benefits.

Direct Compensation – Property Damage (DC-PD) Coverage:

This section of your automobile insurance policy covers damage to your vehicle or its contents, and for loss of use of your vehicle or its contents, to the extent that another person was at fault for the accident. It is called direct compensation because even though someone else causes the damage, you collect directly from your own insurer, instead of the person who caused the damage.

Note: Coverage under the DC-PD section of your automobile insurance policy only applies if the following conditions are met:

- the accident took place in Ontario;
- there was at least one other vehicle involved in the accident; and
- at least one of the other vehicles is also insured by an insurance company that is licensed in Ontario, or has signed a special agreement with FSCO to provide this coverage.

If these conditions are not met, then you can make a claim on your optional Collision coverage (if you have it), whether or not you

are at fault. If you do not have Collision coverage, you may be able to pursue recovery from the at-fault driver to the extent you were not-at-fault for the accident.

Uninsured/Underinsured Automobile Coverage:

Protects you and your family if you are injured or killed by a hit-and-run driver or by an uninsured or underinsured motorist. It also covers damage to your vehicle in the event that you have an accident with a driver who is either uninsured or underinsured.

Extra Coverage:

In addition to the standard policy coverage, you may also buy extra coverage for loss or damage to your vehicle including:

Specified Perils Coverage:

This coverage pays for losses caused by one of the following perils: fire; theft or attempted theft; lightning; windstorm; hail; rising water; earthquake; explosion; riot or civil disturbance; or falling or forced landing of an aircraft or parts of an aircraft. The stranding, sinking, burning, derailment or collision of any kind of transport in, or upon which an insured vehicle is being carried on land or water is also covered.

Comprehensive Coverage:

This coverage pays for losses, other than those covered by Collision or Upset, including perils listed under Specified Perils, falling or flying objects, missiles and vandalism. Surprisingly, if you hit a deer (or other live animal) with your vehicle, even though it is technically an accident, the damages are covered by comprehensive coverage, not your collision coverage.

Collision or Upset Coverage:

This coverage pays for losses caused when an insured vehicle is involved in a collision with another object, including another vehicle, or rolls over. “Object” includes another vehicle or a trailer that is attached to the vehicle that

is covered by your insurance policy; the surface of the ground; and any object in or on the ground.

All Perils Coverage:

This combines Collision or Upset and Comprehensive coverage. In addition, it covers loss or damage caused if a person who lives in your home steals the vehicle that is covered by your insurance policy. All Perils also covers you if an employee who drives or uses, services or repairs that vehicle, steals it. For example, if you take your vehicle to a garage for repairs and an employee involved in the repair of your vehicle steals it, All Perils would cover you.

Note: A deductible may apply to all of the above types of coverage.

Increasing Your Liability and Accident Benefits Coverage

In addition to the mandatory minimum coverage that is required by law, you may purchase higher liability limits under your Third-Party Liability Coverage, as well as increased Accident Benefit Coverage. You now have more choice and flexibility over your coverage and price you pay for auto insurance. These options will allow you to customize your policy to better suit your needs.

Your insurance representative will be able to help you decide what level of coverage is best for you.

Increased Third-Party Liability Coverage:

While you are legally required to carry a minimum of \$200,000, you may want to increase this coverage. The cost to increase your Third-Party Liability coverage to \$1 million or \$2 million is small in most cases.

Optional Accident Benefits Coverage:

You may also want to consider increasing your Statutory Accident Benefits coverage by buying any or all of the optional benefits listed below.

Income Replacement Benefits:

If you cannot work because of an automobile accident, you may be eligible for basic weekly income replacement benefits of 70 percent of your gross income up to \$400. If this is not enough to cover your current after tax income level, you may want to consider buying optional income replacement benefits to increase your maximum weekly protection to \$600, \$800 or \$1,000. When considering the amount of coverage you will need, keep in mind you are required to first claim wage loss benefits from a disability plan you have purchased or workplace benefits that you have access to.

Medical, Rehabilitation and Attendant Care Benefits:

The standard maximum amount for medical and rehabilitation expenses, such as physiotherapy, chiropractic treatment, dental expenses, etc., is \$50,000. If you are catastrophically injured, the standard maximum is \$1,000,000. The standard maximum for attendant care is \$36,000. If you are catastrophically injured, the standard maximum is \$1,000,000. You can buy optional benefits which will cover up to \$100,000 or \$1,100,000 in medical and rehabilitation expenses and \$72,000 or \$1,072,000 in attendant care expenses, and up to \$3,000,000 in combined medical, rehabilitation and attendant care expenses for catastrophic injuries. Keep in mind that many health care expenses are not covered by OHIP, or only partially covered, including physiotherapy and chiropractic treatment, mobility devices (crutches, wheelchairs), modifications to your home and car that you may require, and other specialized goods and services. Minor injuries may only require several thousand dollars in treatment. The most serious injuries (brain injuries, amputations) are permanent and may require hundreds of thousands of dollars in specialized goods and services on an ongoing basis. You may need the services of an attendant 24 hours a day. Review any extended health care plan you and your spouse have access to through work to help you decide how much coverage you require.

Caregiver Benefits:

If you are providing care full-time to dependants and can no longer provide that care as the result of an automobile accident, you may be eligible for caregiver benefits if you need to hire someone to care for your dependants. The maximum amount for caregiver benefits is \$250 per week for one dependant, plus \$50 per week for each additional dependant. The standard coverage is only available to those who are catastrophically injured in an auto accident. You can extend coverage to all injuries and increase the weekly limit to \$325 per week for one dependant, plus \$75 for each additional dependant, by purchasing the optional benefit. If you have children you need to consider who will look after them if you are injured in an auto accident.

Housekeeping and Home Maintenance Expenses:

If you are unable to perform your usual housekeeping or home maintenance duties, these corresponding benefits pay for someone to perform the duties. The maximum benefit payment is \$100 per week. The standard coverage is only available to those who are catastrophically injured in an auto accident. You can extend coverage to all injuries by purchasing the optional benefit. If you normally do the cleaning and maintenance of your home, you need to consider who will look after these things if you are injured in an auto accident.

Dependent Care Benefits:

This optional benefit can only be claimed if you were employed at the time of the accident, not receiving a caregiver benefit, and have to pay for additional childcare expenses because of the accident. Optional dependent care benefits cover up to \$75 per week for the first dependant and \$25 for each additional dependant, up to \$150 per week.

Death and Funeral Benefits:

In the event that you die as the result of an auto accident, the standard amount that will be paid is \$25,000 to your eligible spouse, \$10,000 to each dependant, and a maximum of \$6,000 for funeral

expenses. If you buy optional benefits, you can increase these amounts to \$50,000 to your eligible spouse, \$20,000 to each dependant, and \$8,000 for funeral expenses.

Indexation:

This optional benefit provides for the automatic adjustment over time of Income Replacement, Medical and Rehabilitation, Attendant Care and other benefits, in response to changes in inflation, determined according to the Consumer Price Index of Canada.

If you have benefits from your employer, you may already have some level of coverage for some or all of the optional benefits listed above. You should consider these benefits as you review your coverage options.

There now, bet you feel smarter already

You ought to. You have just read over the basics of types of automobile insurance coverage—Liability, Collision, Comprehensive, Accident Benefits, and Uninsured/Underinsured coverage. Getting the right amounts on these “basics” means you are covered. You are legal without having to wear a three-piece suit or carry a briefcase. In addition, with a topnotch broker to help you, it was easy, too.

Your Broker will go over other optional coverage you should have or may require, for example, Loss of Use coverage, or Accident Forgiveness coverage.

So relax...put that insurance card in your glove compartment...and then hit the road!

Chapter 5

“Home, Sweet Homeowners” Insurance, 101

There are three general types of homeowners insurance policies;

Standard form, Broad form (select) and Comprehensive form.

The ***Standard form*** only covers specified risks on what is called a named perils basis. Only the perils that are listed in the policy are covered. These perils include fire, lightning, explosion, smoke, falling objects, impact by aircraft or land vehicle, riot, vandalism or malicious acts, water escape, rupture and freezing, windstorm or hail, glass breakage, transportation, theft, and fuel leakage.

The ***Broad form*** or select policy provides all risk coverage on the building and detached structures (garages not used for agricultural purposes) and named perils coverage on contents.

All-risk coverage does not mean the policy covers your home against everything. All-risk coverage provides coverage for everything except for what the policy excludes. Most comprehensive policies provide a list of 35 to 40 items of property and perils that are not covered. For example, things like wear and tear, accidental breakage, flood and earthquake are excluded on most all-risk policies.

(See list of exclusions in your policy for more detail)

Finally, the ***Comprehensive form*** provides all risk coverage on the home and detached private structures as well as on the contents.

This is the only form that will give you all risk coverage on personal property and it picks up things like accidental spillage and mysterious disappearance.

We recommend the Comprehensive form because it places you in the position where virtually everything that can be covered under a package policy is.

Most homeowners policies include replacement cost coverage. Replacement cost coverage pays you the full cost of repair or replacement of a particular item without deducting depreciation. For example, if you had a TV set that was 5 years old and it was struck by lightning and destroyed, the company would pay for a new TV set. In order to be eligible for replacement cost, however, you must show, at the time of loss, the property was useable for its original purposes. You must also repair and replace the property promptly. Furthermore this coverage does not apply to fine arts, antiques, paintings; electronic data processing equipment; and any articles, which by their inherent nature, cannot be replaced with a comparable item. All policies are subject to certain policy conditions and exclusions. Always consult your wording booklet or ask your broker if you would like any coverage clarified.

Homeowners Coverage

The homeowner's policy generally covers the following items:

Dwelling Building (home). This covers your dwelling and attached structures, permanently installed outdoor equipment on the premises, outdoor swimming pool and their attached equipment and materials and supplies located on or next to the premises intended for use in construction or alterations and repairs.

Detached Private Structures. This means structures or buildings separated from the dwelling by a clear space on your premises. If your detached building is connected to your dwelling by a fence, utility line or similar connection only; it is considered a detached structure. Note this coverage does not apply to any building that is, or was designed for Agricultural Purposes or is or was used in whole or part for Commercial or Business Purposes.

Personal Property. This covers the contents of your dwelling and other personal property you own, wear or use while on your premises, which is usual to the ownership or maintenance of your dwelling. For items that are off the premises, your policy will cover them up to a limit of \$1500 or 10% (or what is listed in the summary of coverage) of the amount of insurance on your personal property, whichever is greater, while it is temporarily away from your premises anywhere in the world.

Property Not Included as Personal Property. The insurance company does not insure loss or damage to motorized vehicles, trailers and aircraft or their equipment, except for motorized wheelchairs, watercraft, motorized lawn mowers, garden type tractors up to 19 KW (25 hp), other gardening equipment and snow blowers subject to special limits applicable to some personal property.

Personal Articles Floaters. In most cases a comprehensive package policy will provide the coverage necessary to protect your home and possessions from a loss. However, in some cases, the basic policy may not provide a high enough limit of coverage, (see summary of coverage for the special limit applicable to your policy) or provide broad enough protection against perils that can cause damage to your valuable property or the deductible maybe too high. If this is the case you may be in need of a special floater.

Additional Living Expense. This provides protection to you if an insured peril makes your dwelling unfit for occupancy and you have to move out while repairs are being made. You are insured for any necessary increase in living expenses including moving expenses incurred by you so that your household can maintain its normal standard of living. Payment is for the reasonable time to rebuild or repair your home.

Legal Liability - This provides coverage for the insured person who is legally liable for damages causing bodily injury or property damage anywhere in the world.

Personal Liability - You are insured against any claims made against you, except for claims for:

- 1) Operation of any motorized vehicle, trailer or watercraft except for those, which are listed on the policy.
- 2) Damage to property you own, use, occupy or lease.
- 3) Property in your care, custody or control or as the result of work done to them on your behalf.
- 4) Any bodily injury to you or anyone residing with you except a residence employee.

Premises Liability - Liability arising out of your ownership, use or occupancy of the premises defined, except for:

- 1) Property you own, use, occupy or lease in your care custody or control.
- 2) Personal fixtures as the result of work done to them on your behalf.
- 3) Bodily injury to you or anyone residing in your residence, except a residence employee.

Tenant's Legal Liability - Liability for property damage to premises, or their contents that you are renting, using or have in your custody or control caused by fire, explosion, water except for smoke due to a sudden, unusual and faulty operation of any heating or cooking unit in or on the premises but not smoke from a fireplace. You are not insured for liability you have assumed by contract unless your legal liability would have applied even if no contract had taken place.

Employer's Liability - You are insured against claims rising against you for bodily injury to a residence employee arising out of and in the course of their employment by you, except for use or operation of aircraft or liability imposed upon or assumed by you under Workers Compensation.

Voluntary Medical Payments - Coverage for injuries incurred when another person is unintentionally injured by the insured or is accidentally injured while on their premises. Coverage usually does not exceed \$1,000.00.

Damages will not be paid if workers cover injured person compensation plan, a hospitalization plan or other private insurance.

Voluntary Property Damage - Coverage for damage to property which has been unintentionally caused and for which the insured is not legally liable, or that has been intentionally caused by an insured 12 years of age or under.

Coverage usually does not exceed \$500.00.

Damages will not be paid if resulting from the ownership use or operation of any motorized vehicle, trailer or watercraft, except those for which coverage is provided by this form or property you or your tenants own or rent.

Damage caused by the loss of use, disappearance or theft of property.

Business Activities: Home insurance is not business insurance. However, you are insured against liability claims arising from certain activities. Most business pursuits require specific insurance arrangements.

Recreation – Boats, Golf Carts, Trailers, etc: Your liability insurance automatically covers losses arising from your ownership and non-business use of trailers, except when they are attached to a motor vehicle. Small boats with an outboard motor up to 16 hp or an inboard motor up to 50 hp; sailboats up to 26 feet long; golf carts while on a golf course; self propelled lawnmowers; snow blowers; garden tractors up to 25 hp, used mainly on your own property; and motorized wheelchairs are also automatically covered by liability insurance.

Optional Coverage

Optional coverage that may often be purchased for additional premium:

Sewer Back-up: Damage caused by a sudden, accidental discharge of water in your home. Covers damage caused by the

backup of sewers, septic tanks, eaves troughs or downspouts. You can purchase optional Sewer Back-Up coverage.

Earthquake: Premium cost varies accordingly to location and type of construction.

Guaranteed Replacement Cost: Guaranteed Replacement Cost (GRC) coverage is commonly provided under most habitation forms of coverage. This coverage means that the insurance company will pay the cost of repairs or replacement (on the same site) even if the cost to rebuild your home exceeds the insured amount shown on the insurance policy. For this guarantee to be valid, the dwelling must be insured to 100% of the replacement cost.

Functional Replacement Cost: Functional Replacement Cost (FRC) is an innovative coverage designed for clients with older homes. Many homes built prior to 1940 were built with materials and construction methods not readily available today such as plaster walls, large solid wood doors etc. The replacement value could be up to 30% lower if it were based on using modern materials and construction methods. FRC endorsement modifies the basis of claim payment to repair or rebuild the damaged dwelling with less costly, current and common construction materials; and methods that are ‘functionally’ equivalent to materials and methods used in the original construction.

Single Limit Coverage: This is a single total policy limit that allows you to allocate the coverage limits for your home, outbuildings, personal property and additional living expenses.

Chapter 6

Builders Risk Coverage

What If Your Dream Home Was Destroyed While It Was Being Built?

You have spent the last year planning and watching your new 3000 square foot, two story home being built. Two weeks before you are scheduled to move into your new home, a tornado rips through and destroys it.

When a home is under construction, what type of policy do you need and who is responsible for purchasing the insurance to protect it? What does the policy cover? How much insurance coverage should be put on the home? Let's get down to business and explore how to protect your home while it's under construction.

What Is a Builders Risk Insurance Policy?

First, in order to protect a home properly under construction, you need to purchase a **builders risk insurance policy**. A builders risk insurance policy, sometimes referred to as a "course of construction policy", is a special type of insurance policy that protects homes while they are under construction. This policy will protect the building materials, fixtures and appliances that are intended to become integral parts of the structure.

Who Should Purchase It?

This policy can be purchased either by you through your insurance broker or by the general contractor. The construction

contract may stipulate who obtains the policy. Many contractors may be able to negotiate better terms and rates based on their insurance history and knowledge of the construction industry. Additionally some contractors carry building risk policies that automatically insure any project that they work on. Accordingly this could allow them to add a future project under their policy at a rate that may be lower than could otherwise be obtained for a separate project specific policy. Make sure, if you are building a new home, you have a conversation with your builder to determine who is insuring it.

What Does It Cover?

A builder's risk policy will cover against losses like fire, vandalism, lightning, wind, theft, explosion, hail, vehicle impact, etc. Some of the things it does not cover are things like earthquakes, floods, employee theft, sewer backup, and the cost of making good faulty or improper workmanship or design. This coverage is purchased for the construction period only and needs to be put in place before the contractor starts digging the foundation.

How Much Coverage Should You Carry On Your Builders Risk?

You should carry an adequate amount of coverage to cover the full value of the project in its finished state. When determining the finished value, the following factors should be taken into account in order to assess what constitutes the proper “full value” amount to ensure adequate coverage.

- The possibility of increased repair costs based on timing.
- Inflation or economic situations such as wage increases.
- Any potential demolition and debris removal costs necessary for proper repair such as tearing down a weakened portion of the structure before rebuilding.
- The value of any labour, equipment or material that formed part of the project but was not covered under the contract price such as volunteered work or donated materials or

anything supplied directly by the owner to defray the original contract price.

- Any consultant costs such as architectural, engineering and project management fees, which are not usually part of the direct contract cost. Such fees may increase because of extra work required by any of these consultants after a loss.
- The cost of temporary facilities such as barricades, hoardings, formwork and other site structures that will not be re-used and will have to be re-supplied.
- Any construction soft costs including insurance premiums and legal fees.
- The possibility of increased costs due to by-law or zoning changes that may occur after the start of the project.

In the above situation, as disappointing as it would be for your newly built home to be destroyed, if you have the correct coverage on it, you can build it again.

Chapter 7

Farm Insurance – Planting the Seeds of Protection



If you make your living off the land or raising livestock you've got special insurance needs that go beyond a normal homeowners policy. Farm insurance is both more complex and more detailed, as it is broken down into several categories.

What follows here will explain and define the intent of the coverage, in each category. What pitfalls you should know about, and how you can spot them. Don't be afraid to ask your broker questions, even if they seem basic or "dumb." Rest assured, if your broker was in the position of having to milk a cow, plant a field, deliver a calf, or work on a broken tractor—he or she would have a ton of questions to ask!

Remember, too, that these explanations are in general terms; be sure you read your policy carefully and discuss it with your broker. Above all, a farm insurance policy is designed to protect the assets and livelihoods of both the people who choose to make their living working the land and raising animals—and those of the hobby farmer who just loves owning a few animals and enjoying what the land offers. Your insurance broker should make sure you have complete coverage for the myriad aspects of your particular situation.

Insuring Farm Assets

What is Covered?

A farm insurance policy can provide coverage for dwellings and personal property, farm buildings, produce, livestock, machinery and equipment, and liability. Boats and recreational vehicles are likely to require special coverage. Coverage for registered motor vehicles is provided under an Automobile Insurance policy.

Types of Coverage

Companies offer two basic insurance options (levels of protection): Named Perils and Broad Form. It is possible to have one level of coverage for one type of property and another on another type of property.

Named Perils is the most common coverage purchased. You can see the causes of loss that the insurance company will provide insurance protection for listed in your insurance contract. Review the list of perils (causes of loss) with your insurance agent or broker. Note that the named perils that may be listed to insure the building may be different for those listed to insure your livestock. Also check the exclusions or limitations built into some perils.

Broad Form (sometimes referred to as "all risk") coverage is growing in popularity. The premium for this level of coverage will be more than for Named Perils. All direct damage to insured property is covered unless either the property or the cause of loss (peril) is excluded within the contract and its attachments.

Endorsements for Added Coverage

Sometimes you may be concerned about a risk that is not protected on the standard policy contract. There may be a peril you want coverage for, or you may have a piece of property that does not fall into the standard definitions on the policy contract. In these cases, you may be able to purchase coverage with an endorsement. An example is if a building collapses from snow or ice: if the building is built and maintained to current standards, then many

companies offer collapse endorsement. Older buildings generally do not qualify for such an endorsement.

Other examples of added endorsements include income replacement, power interruption, pollution, clean up on own farm, custom work, high value livestock and consequential loss.

Determining the Values (Limits) to Insure

Your insurance company will rely on you to determine what values you insure for. They have software, property evaluators and other tools to help you determine your needs. In some areas of coverage (see paragraph on Coinsurance) you will be required to insure a minimum percentage of actual value. In determining the amount of insurance you wish to purchase, you are determining the amount of financial risk you want to transfer to the insurance. The more risk you transfer, the higher the insurance premium.

Property is insured on either an Actual Cash Value or Replacement Cost basis. If it is insured on an Actual Cash Value basis, any settlement at the time of the loss is going to be based on the depreciated value of the property. If it is insured on a Replacement Cost basis, any settlement at the time of loss will look to repair the item and if that is not possible, to replace it with a new article of similar quality and ability. If you insure on a Replacement Cost basis, your values or amounts of insurance will be higher and so you will pay more premium than if you insured the same property on an Actual Cash Value basis. Older buildings, unless updated and maintained, may not qualify for replacement cost coverage.

Another option is guaranteed replacement cost coverage. This option was developed as a result of the 1986 tornado in Ontario. It provides that as long as your buildings are insured to 100% of the calculated cost to replace them, when you renew your policy, you will not be restricted to the limit on your policy, if the cost of labour and materials rises dramatically because of a natural disaster. Not all buildings qualify for this protection.

Limitations on Insurance Settlements

Deductibles

Most sections of a farm business insurance policy have deductible amounts - the portion you have to pay before insurance benefits are provided. The strategy is to get catastrophic coverage at reasonable rates while taking the risk for more minor claims yourself. The trend with buildings is to increase the deductible and maximize coverage. It is becoming common to have \$1,000 to \$2,500 or higher deductible levels on farm buildings.

Different levels of deductible can apply to each type of asset: probably less on a house, perhaps less on animal's value for livestock, or \$500 for machinery. It is a matter of trying to get adequate coverage at reasonable costs without a lot of minor or nuisance claims. Your risk management strategy will come into play. This applies to both the levels of deductible you can afford and the settlement values you need.

Coinsurance

If you fail to keep your values current, you may be subject to a coinsurance penalty when you have a loss.

Your farm insurance policy probably carries a coinsurance clause. This clause states that if you fail to carry an amount of insurance on the insured property (buildings, livestock, machinery, produce etc.) that equals a stated percentage (typically 80%, 90% or 100%) of the true cost to replace the item, you will have to bear part of a claim for that item. For example if the cost to replace your herd is \$100,000 an 80% coinsurance clause requires that your insurance limit for that herd be at least \$80,000. If you choose to insure the herd for \$60,000 (75% of the required minimum of \$80,000) you will receive only 75% of the value that the destroyed animal is worth.

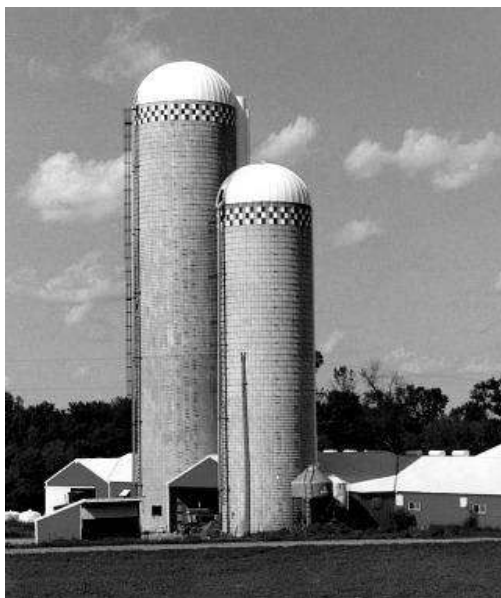
The decision to insure at a limit less than the maximum possible loss (in the above example \$100,000) is your own risk management decision. In any circumstance, the amount on the Declaration Page is the most the insurance company is contractually obligated to pay.

Farm Dwellings

There are many variations available as to settlement options and perils covered. Generally the broader the coverage the better. In addition to the typical named perils for farm buildings, most policies also cover: water escape within the dwelling from heating or plumbing systems; theft, and may include building collapse. Various items of personal property are also insured, including contents and other personal property that you own, use or wear.

Limits are generally placed on items such as jewelry and furs, collections, securities, money and garden equipment unless specifically listed. Many policies also cover theft and forgery of credit and debit cards.

Farm Buildings



The farm manager and the insurance broker have to agree on appropriate coverage, which is generally the level of insurance needed to survive a major loss. Named Perils is the most common coverage for farm buildings.

Exclusions/Limitations

The following is a typical list of named perils coverage:

- Fire
- Lightning
- Explosion
- Smoke
- Falling objects
- Impact by aircraft or land vehicle
- Riot
- Vandalism or malicious acts
- Windstorm or hail

Subject to certain exclusions and limitations within the peril description, the insurer will pay for physical loss or damage to the building caused by one of these events, according to the values used in the settlement option.

Note that disasters like flood, earthquakes and collapse from snow and ice are not included in the list above. Flood coverage is not readily available for buildings. Coverage for loss or damage caused by earthquakes or collapse caused by weight of snow or ice may be added by endorsement, if the buildings are eligible.

Check the Definition of Farm Building

Stabling, heating and ventilating equipment are generally part of the building and their value should be included in the calculation of the building value. Stable cleaners, milking equipment and coolers, silos, computerized equipment and silo unloaders are not considered part of the building and need to be specifically insured.

Rebuilding Clause

Most policies contain rebuilding clauses. Usually the building must be rebuilt within 100 m (300 ft) of the insured building. Rebuilding at a distance greater than 100 m (300 ft) may be allowed at less than full settlement, e.g. at a 75% level. If legislation exists

prohibiting rebuilding on the same site, some companies allow rebuilding further away without imposing a penalty. If, when you insure, it is obvious that it is impractical to rebuild on the same property, some companies will agree, at that time, to rebuilding on another property you own, within distance limits. Discuss the impact of this clause on your business with your insurance agent or broker.

Farm Contents

Contents, as specified on your declaration page, are covered. Contents can include tenants' improvements, livestock, machinery and equipment, and produce. Tenants' improvements means improvements made to a rented building that are not covered under any other policy and would have to be specifically insured.

Produce



Produce includes farm inputs like commercial feeds, fertilizers and pesticides, and harvested farm products like milk, eggs and various products of the soil.

Produce is covered for more causes of loss (perils) than buildings. Named perils that apply to only produce include earthquake, collapse of building, bridges or culverts, flood, theft, collision, derailment or overturn of vehicles on which insured produce is being shipped, and loss of produce when vehicle is on board a ferry that is stranded, burns, sinks or involved in a collision.

If your produce needs to be refrigerated, make sure that you have coverage for the loss or damage that may occur if the refrigeration units fail.

Remember to insure the value of your harvested produce. A coinsurance clause will apply generally at the 80% level.

Livestock



The declaration page of your insurance policy will show the “classes” of livestock you are insuring (cattle, horses, swine, poultry, sheep, rabbits, deer, ostrich etc) separately. If you will be buying and selling animals during the term of your policy, be sure that your broker has explained the notification requirements.

Market or cash value is normally used to determine the value of dead livestock at the time of a loss. The policy contract will have an upper limit, such as \$4,000 for an individual animal. Individual animals with a higher value should be identified and listed separately on the livestock schedule.

The named perils list is much longer. In addition to those listed above for buildings and produce, livestock is also covered for: accidental shooting, drowning, electrocution, attack by wild animals and non-owned dogs, blizzard, snowstorm, sleet storm or rainstorm, falling or collapse of buildings and trees, entrapment, piling, and smothering fumes.

Other endorsements offer coverage for such perils as ingestion of hardware, power interruption and heat prostration.

The coinsurance clause will usually apply to livestock. If the value of your livestock varies constantly over your policy term, ask your broker about a "stock reporting option".

Any compensation by government for livestock loss will be deducted from the settlement.

Machinery and Equipment



Machinery and equipment includes any piece of machinery or equipment that is used in your farm operation. The contract definition excludes such items as aircraft, vehicles subject to registration according to the Highway Traffic Act, Off Road Vehicle Act or Snow Vehicle Act and equipment used in lumbering activities. Check with your broker if you are unsure about the status of any piece of equipment you have. If you will be buying or selling machinery or equipment during the term of your policy, ask your broker to explain the notification requirements. You should also make sure that coverage is in place for non-owned equipment, whether borrowed or rented. |

The machinery and equipment can be listed, or scheduled, in the insurance policy, or covered on a blanket basis by class. Because of the huge investment many farmers make in machinery and equipment, you should carefully review your coverage.

Older equipment is usually covered for actual cash value while newer items may be insured for replacement cost.

Farm machinery and equipment coverage may be either broad form or named perils.

A loss of use endorsement may be available to cover renting a replacement unit until the damaged or destroyed unit is repaired or replaced. You likely need to request this as an additional endorsement. Those running a large cash crop operation should investigate this endorsement.

Optional Endorsements to Consider

Recent weather extremes are a reason to consider special endorsements for such things as power interruption, business disruption and poultry heat prostration.

Power interruption insurance is becoming common on specialized poultry and swine farms. The birds and animals are insured against death and destruction from lack of heat or ventilation due to power interruption. It is normal for the insurance company to request a standby generator and alarm system that is tested on a monthly basis.

Heat prostration for poultry coverage is becoming more common. It only applies when ventilation is working and stocking rates are not excessive. The insurance company will need proof of cause of death and may apply high deductibles.

While a **business interruption/loss of income** endorsement is added on a minority of farm insurance policies, its use is on the rise. You need to consider the ability of your business to survive if the cash flow is interrupted because of an insured loss.

The purpose of this endorsement is to replace the income that the farm business would have made if the insured property had not been damaged or destroyed by an insured peril (cause of loss). Expenses that do not continue after the property loss would be deducted from the calculation. Expenses that are incurred to allow the farm operation to continue immediately following the damage or destruction of insured property would be included in the calculation of the loss.

Some forms of this endorsement respond only if the building is damaged or destroyed, some if only the livestock is destroyed and some if both event happens. The benefit will only be provided for a reasonable amount of time to repair or replace the property, usually subject to a maximum period of up to 12 months.

The endorsement usually provides for professional fees, subject to a cap, to assist with presentation of financial information to substantiate the claim.

Industry representatives have noticed cash flow problems on farms because of the lack of income during the restoration period. As the trend to larger, more specialized farms increases, it is suggested this endorsement be carefully considered.

Power Surge endorsement is offered by some companies. It is available for residence and farm buildings.

Crop Insurance

Crop insurance is a federal-provincial-producer funded program, which provides a guarantee against loss of crop yield caused by natural hazards. A producer's individual average farm yield and claim history determine coverage and premium levels. The decision of whether to use crop insurance will be influenced by many factors including historic yield experience on the farm and the farmer's financial position and ability to self-insure. Producers of edible horticulture crops should consider the Self Directed Risk Management option under the NISA program as an alternative. Crop insurance is an area of rapidly evolving products and coverage. In Ontario, Crop Insurance is available from AGRICORP. For full details call them at 1-888-247-4999.

In addition, private insurance is available at higher levels of coverage for hail and wind damage on tobacco.

Farm Liability Insurance

It is imperative that you have a full and frank discussion with your insurance broker about your farm liability coverage. The broker should be advised of all activities of the farm operation. The insurance company calls these activities "exposures". The broker needs to know what exposures you have, to be sure that you are adequately protected against the possibility of a significant financial burden.

Today's farm business is no longer isolated from the public, both from the view of visitors to the farm, the products you produce and activities you undertake away from the farm. Any of these activities

may result in a "third party" (someone outside of the contract between your farm operation and the insurance company) alleging that through your negligence you have caused them to suffer Bodily Injury or Property Damage. Claims of this sort are on the rise in Ontario. Hence liability insurance is extremely important.

It is common for the liability policy to cover the farm operator, spouse, their children (while living in their household) and employees (while doing the farm business work).

Coverage is normally provided for your legal liability for:

- occurrences arising out of your personal actions,
- occurrences arising out of your premises,
- occurrences arising out of your farming activities.

Typical sections of coverage in a Farm Liability wording include:

- public liability
- tenants' legal liability for damage to residential property rented or under the custody care or control of the insured caused by named perils (fire, explosion, smoke or water escape)
- voluntary medical payments subject to capped amount
- voluntary payment for damage to property of others subject to capped amount.

The insuring company will defend the insured against civil actions and assumes the right to make negotiations and settlements, as it deems expedient.

Liability Exclusion/Endorsements

A number of activities that some might consider normal farm business activities such as regular custom work, custom spraying, pick your own activities, or riding lessons may require a special endorsement.

Here are some areas of coverage that may be excluded. You will need to review the exclusions with your broker:

- recreational vehicles (owned and not owned)
- watercraft (owned and not owned)
- trailers (farm and residential)
- damage to a neighbour's crop caused by own spray drifting off
- leakage of fuel oil, pesticides, herbicides, manure onto neighbouring property
- your custom farming operation
- your “value added” business
- your spouse's “non-farm” business
- riding lessons and trail rides
- road stands

Umbrella Liability Insurance

Some farm policies may have a basic farm liability limit of \$1,000,000. This may be too low for larger operations. It is possible to buy umbrella liability insurance that is on top of the basic automobile and farm or other liability coverage. The umbrella not only increases total coverage but may also provide an insurance response to a third party allegation of personal injury or property damage that would not be covered under the basic farm liability policy.

Pollution Liability

The basic farm liability policy will exclude third party Bodily Injury and Property Damage that occurs as the result of a pollution incident. You should talk to your agent or broker about a separate Farmers Limited Pollution Liability coverage that can be added to your Farm Liability policy.

With the introduction of legislation like the Spills Bill, it has become common for companies with farm policies to provide pollution liability. The increasing number of farms with concentrations of livestock and crop input storage has increased the potential for significant pollution incidents. Typical coverage includes bodily injury, property damage, and cleanup costs.

The standard policy may include capped limits, such as \$200,000 or \$500,000. It may be possible to vary the limits with special endorsements. Like other parts of the farm insurance package, note the exclusions. One includes failure to report a pollution incident and start remedial action. The policy will state that only pollution incidents that occur during the period that the policy is in force will be covered. Thus pre-existing conditions are not covered.

Pollution Endorsement for Insureds' Property

You will need a special endorsement if you want coverage for cleanup costs on your property. The list of exclusions for pollution liability normally includes exclusion for property that is owned, rented, borrowed, controlled, sold, given away, or abandoned by the insured.

Value Added and Non-Farm Enterprises

It is becoming more common to have a value added operation on the farm. Upon reaching a certain size they may no longer be a farming activity. Examples include processing of farm products, operating a retail sales outlet that may even include non-farm items for sale, providing entertainment, or operating a bed and breakfast.

These farm-related activities might require special insurance. Other commercial activities, like a welding shop or a construction business operated on the farm, require commercial insurance.

Insuring the People

The people who own, manage and work in the business are key to its success. Give careful consideration to insurance products that help protect the health and safety of the operators and staff.

Workplace Safety and Insurance Board (WSIB)

This is the successor to the Workers' Compensation Board, providing coverage for work-related accidents. Coverage is essential for farms with employees; it is optional for sole proprietors, partners in a partnership and the executive officer of a corporation. Employers are now considered customers of the Board. Customer Service Representatives are available to help clarify issues such as shareholder coverage; and whether independent operators providing a service for you are employees. The Board can be reached at 1-800-265-2570. The customer service representatives for agriculture are located in Guelph at 519-826-4650 or 1-800-259-4228.

Chapter 8

“On the Road Again”—Insuring Your RV

Just like a car or a house, an RV is an investment—a sizable one in many cases—and needs insurance just like those assets. In fact, RVs are like homes and vehicles rolled into one!

So let’s break it down—er, on second thought, maybe “breakdown” isn’t the best image you want to have in your head when thinking about RV-ing your way to relaxation and fun.

How about we say, let’s *talk specifics*?

There, now...isn’t that better?

Good. Onward and upward, then!

The RV: It’s A Different Animal!

Because an RV is a motor vehicle, you need “normal auto coverage”—insurance against collisions, accidents, injuries, and other problems that happen on the open road—but an RV is also much more than a car, so don’t get lulled into thinking you can just “add it” to your auto policy. Why is this not such a good idea?

For one thing, an auto policy typically does not provide any coverage for personal property. You carry things in your RV that you don’t normally have in a car: clothing, jewelry, binoculars, photo equipment, VCRs, laptops, camping and/or other outdoor gear. Normally, all that “stuff” would be covered under a

homeowners' insurance policy. But the catch-22 here is that your homeowners policy may provide only very limited coverage for personal belongings *once they are off-premises from your home*—and even if all those things are covered, you may be stuck paying a \$250 (or higher) deductible.

Also consider scenarios like the following:

- You park at an RV campsite under certain obligations: in many cases, you are liable for the area right around your RV. That means if someone in the campsite near you gets hurt, you could be responsible for it.
- You live in your RV when you are on the road, but if your RV gets damaged or breaks down (there's that word again!) while you're traveling, you'll need a place to stay—not to mention a way to get to it!

Guess what? Neither of these is covered on your average auto policy. Even such things as repair coverage (rental vehicles and/or hotel rooms) for your car will not take care of you in the case of an RV breakdown or accident. These losses, or others that are unique to RV travel, can end up costing you thousands of dollars.

Specialized RV policies, on the other hand, typically provide personal property coverage with low or no deductible. As well, they generally provide replacement cost coverage (at least as an option). With the latter, you receive the value of “new for old” once you replace your damaged or stolen property, with no deduction for depreciation as with Actual Cash Value (ACV) policies.

That is why coverage designed specifically for RVs is the way to go...no pun intended.

Sound complicated? It doesn't have to be. First, get advice from a qualified insurance broker who will explain your options in plain English. Have that agent provide you with quotes from more than one company. Pick the best one, the policy that fits you and how you will use your RV—then go out and do what you have always wanted! You will sleep better knowing that you have the protection you need.

The following RV types of insurance coverage are available with most specialized policies:

- Bodily Injury & Property Damage Liability
- Uninsured/Underinsured Motorists
- Accident Benefits
- Comprehensive & Collision Options:
 - Market Value
 - Agreed Value
 - Total Loss Replacement Cost
- Guaranteed Loss Replacement
- Towing & Labour
- Attached Accessories
- Roadside Assistance
- Emergency Expense
- Replacement Cost of Personal Effects
- Vacation Liability
- Full-Timers
- Trailer
- Fire Department Service Charges

Coverage Definitions

Since a RV is a unique hybrid of “car” and “house,” its coverage is a different animal from either homeowners or auto insurance. Here is a useful list, with easy to understand explanations, of some of the many options, you, as a RV owner, can take advantage of.

Motor Home Personal Property

This coverage covers your personal items in the RV itself, everything from your clothes to the tennis rackets in the closet. Most homeowners insurance will only cover up to a certain percentage of the policy for incidents that happen away from your home. You may decide that is OK if you are on a short vacation or are not taking many personal things on your trip, *but full-timers and anybody taking a long vacation should have their personal property covered by their RV policy.*

Attached Accessories

Just as your auto insurance will not necessarily cover your trailer, your RV insurance may not necessarily cover the things attached to it; so if you have an awning, TV antenna, satellite dish, or something else attached to the outside, make sure you have this coverage as well.

Roadside Assistance

Just think of this as “CAA” (or any other “motor club”) for your RV. This takes care of those annoying small problems that keep you off the road—needing a boost, running out of gas, getting locked out, and all those other little trip “gremlins.” It will at least keep the gremlins out of your wallet!

Guaranteed Loss Replacement

Pay close attention to this, especially if you’re buying a brand-spanking-new RV. If the unthinkable happens and your RV gets “totaled,” Guaranteed Loss Replacement will give you a new RV of a similar model for the first five years of the policy. After that, it will give you the full purchase price of your RV. It can be the difference between staying on the road and being permanently sidelined...so don’t forget it!

Full-Timers

Want to live full-time on the open road? Then this policy is for you. It comes with amenities such as personal liability and additional living expenses, all designed to make your motor home a

real home. This is invaluable if you are a “full-timer”—in other words, if you live in your RV for six or more months of the year.

Agreed Value

This is great coverage for you if you have a “classic” RV. Agreed Value insures it up to the value agreed on by you and a qualified appraiser; so if the worst happens, even to a RV of “a certain age,” you will know what you’ll get and how much you’re covered for up front.

Vacation Liability

Vacations are for relaxation—but what happens if you’re in an accident in your RV? This is your safety net: it covers any bodily injuries and property damage caused to others while you’re traveling. There...don’t you feel better already?

Emergency Expenses

If your motor home is temporarily off the road for repairs, where do you stay when your “house” is in the “shop”? This is where Emergency Expense provisions kick in: this coverage pays for hotel and transportation for you—so no matter where you go, you will never be stranded.

**** N.B.::*Not all RV insurance policies are created equal, and every policy may not include all the types of coverage listed above. Check your policy carefully and know what you are getting!***

Discounts! Did Someone Say, “Discounts”?

With a list as comprehensive as all the items above, your budgetary head might be spinning. Not to worry. For every action there is a corresponding reaction—so for some of the “extra” provision you have to make for protection on a RV policy, you can often find offsetting “price breaks” from your RV insurance company. Among them:

- **Claims-Free Renewal:** Always play it safe. If you have no at-fault accidents during a given policy period, you can often get an automatic discount upon renewal.
- **Retiree Discount.**
- **Responsible Driver:** This is for those squeaky-clean drivers among us who go three years without an accident or violation. If they are on your RV policy, you are in for a price break!

In Case the Worst Happens... Know What You Have Got

Have you inventoried the possessions you have in your RV/travel trailer?

When you are on the road, you never know what surprises await you. Unfortunately, not all surprises are pleasant ones. Fires or storms can damage your RV; or burglars can break in and take valuables. If so, your insurance company will ask you to provide them with a list of what is damaged/destroyed/missing, the value of those items, and proof that you owned them in the first place!

Are you prepared to do this? Could you remember everything that you had in your RV or travel trailer—much less what is damaged or missing, when and where you bought each item, and how much it cost? Considering the trauma and stress a major loss can cause—probably not. So make it a point to complete a personal belongings inventory *before* you head out on your next adventure.

You can use anything from simple pencil and paper to special software programs or video cameras to compile your list. A video camera is priceless for this because it gives you an accurate visual image of not only the item, also the condition it is in at the time—and, with a little care, it can document such things as serial numbers, engraving, personalization, and other unique identifiers. (When it comes to lists like this, there is no such thing as too much information!) No matter what form it is in, your inventory should include a description of each item, model numbers and serial numbers, the purchase date, original value, and estimated current

value. For more valuable items—say, over \$100—save your sales receipts and keep them with your inventory.

To conduct the inventory, start outside your RV and record everything kept in outside storage compartments. Then move inside, working from one end to the other. Open drawers, cupboards, closets, storage bins, and toolboxes and record their contents. Note any furniture, appliances, or decorations you’ve added to your rig. Don’t forget high-value items such as antiques, firearms, jewelry, musical instruments, electronic “toys,” or special collections. Once you’ve finished, make a copy of everything. Keep one set in your RV and one in a safe location somewhere else, such as in a safe deposit box, at home, or with a friend or relative.

Next, review your inventory and your RV insurance coverage limits. You may find that high-value items like jewelry, firearms, and such need higher coverage limits than your base policy provides. If so, it’s a good idea to buy additional scheduled personal property coverage. And be sure to update your inventory on a regular basis—such as when you make a major purchase such as a new RV, or prior to planning a new trip.

When you’re ready to “get away from it all,” make sure all you take with you is protected by a sound RV insurance policy. With a little thought and planning, you’ll get yourself a warm “security blanket” for all your travels—priceless peace of mind that makes “getting away” truly the escape and adventure you want, with minimal disruption from “bumps in the road.”

Chapter 9 “Born to Be Wild”—Insuring Your Motorcycle



If you ride a motorcycle, you will need insurance protection just as with any other vehicle. Motorcycle insurance has some very specific details, though. Make sure you shop around for the best coverage for your bike and your situation. Ask your broker which coverage is mandatory—and investigate options that can give you a touch more security as well.

Motorcycle Liability

COVERAGE

Liability – Bodily Injury and Property Damage

Protects Insured if someone else is killed or injured or their property is damaged. It will pay for legitimate claims against the Insured up to the limit of coverage, and will pay the costs of settling the claims.

Liability Limits

Where it is required and permissible to provide a liability limit higher than those for which premiums or limit factors are indicated in this manual, apply to the Company.

The minimum Liability Statutory limit in the Province of Ontario is \$200,000.

Accident Benefits

Provides benefits if the Insured is injured in an automobile accident, regardless of who caused the accident. These benefits include:

- ☑ Supplementary medical care, rehabilitation and other care;
- ☑ A tax-free income benefit for wage earners or self-employed;
- ☑ An income benefit to those who have no income from employment;
- ☑ An educational benefit to those unable to attend school;
- ☑ An allowance when a caregiver is injured; and
- ☑ When a person dies in an accident, funeral expenses and death benefits.

Optional Increased Accident Benefits

Increased Income Replacement: The basic level of income replacement provided in the policy—\$400 per week maximum—can be increased by purchasing optional coverage so that the weekly limit is up to \$600, \$800 or \$1,000. All income replacement benefits are based on 80% of net weekly income.

Increased Caregiver and Dependant Care: The basic level of caregiver benefits for a person who is not employed but cares for dependants is up to \$250 per week for the first person needing care and \$50 per week for every additional person. This can be increased by purchasing optional coverage so that the weekly limit is up to \$325 for the first person and \$75 for additional persons. There is no basic benefit for persons who are employed and care for dependants, but if they purchase this optional coverage they can receive a benefit to cover additional weekly dependent care expenses of \$75 for the first dependant, and \$25 for each additional dependant, up to \$150 per week.

Increased Medical, Rehabilitation and Attendant Care: the basic benefit pays up to \$100,000 for medical and rehabilitation expenses, with a 10 year time limit in most cases, and up to \$72,000 for attendant care expenses. If catastrophically impaired, the basic benefit pays \$1,000,000 for medical and rehabilitation expenses and \$1,000,000 for attendant care expenses. Optional coverage of \$1,000,000 above the basic coverage can be purchased and that provides no limitation on the time for which these expenses are paid.

Uninsured/Underinsured Automobile Coverage

Provides protection if the Insured is injured or killed by an uninsured/underinsured motorist or by a hit-and-run driver, and covers damage to the Insured's motorcycle caused by an identified uninsured/underinsured motorist.

Direct Compensation-Property Damage

Covers Insured in Ontario for damage to Insured's motorcycle and to property it is carrying when another motorist is responsible.

Loss or Damage Coverage (Optional)

All Perils - this option combines the coverage of Collision or Upset and Comprehensive. This coverage includes loss or damage caused if a person who lives in the Insured's household steals a described motorcycle. Coverage also applies if an employee who drives or uses, services or repairs a described motorcycle, steals it.

Collision or Upset - Covers losses caused when a described motorcycle is involved in a collision with another object or tips over. Object includes:

- Another vehicle that is attached to the an automobile,
- The surface of the ground, and
- Any object in or on the ground.

Comprehensive - Covers losses, other than those covered by Collision or Upset, including:

- Perils listed under Specified Perils,

- Hitting a deer (or other live animal),
- Falling or flying objects,
- Missiles, and
- Vandalism.

Specified Perils - Covers losses caused by fire; theft or attempted theft; lightning, windstorm, hail, or rising water; earthquake; explosion; riot or civil disturbance; falling or forced landing of aircraft or parts of aircraft; or the stranding, sinking, burning, derailment or collision of any kind of transport in, or upon which a described automobile is being carried on land or water.

Optional Equipment

This pays for after-market additions to your bike such as custom seats, crash bars, fairings, etc. Some policies automatically come with \$1,000 of Optional Equipment Coverage when you buy Comprehensive Coverage. You can buy additional coverage to raise those limits.

Frequently Asked Questions

Q: Can I save money if I cancel my policy while my bike is being stored for the season?

A: Even if you store your bike, it is always a good idea to maintain coverage. Your policy includes seasonal pricing spread over a 12-month policy period; this means you're covered during the time that most riders are on the road in cold climates—*and* should you experience some unseasonably warm winter days and feel like riding!

Q: Can I save money on my policy if I have taken or enroll in a safety course?

A: Yes! If you have participated in a qualifying Motorcycle Safe Driving Program some time during the last 36 months, you can get a discount on your premium.

Q: If I am involved in an accident, will my policy pay for a rental until my bike is repaired?

A: Yes—if you have Rental Reimbursement as a coverage option. See your policy to be sure.

Chapter 10

Insuring Your ATV / 4-Wheeler / Snowmobile

Do you really need separate insurance for your ATV / Snowmobile?

The short answer? “Yes.”

Calls have come in to insurance offices saying things like, “*My ATV got stolen out of my broken-in garage,*” or “*My barn burned down, and I had 2 ATVs in there.*” Unfortunately, if those vehicles don’t have separate insurance coverage...guess what? **You are not covered.**

Many homeowners—or seasonal homeowners, in the case of vacation homes—assume that these “land-use” vehicles are covered when they are stored in a garage and/or barn on covered property. This, however, is not the case. “These Types of Motorized vehicles” are **excluded** from standard homeowners’ policies. Why? Because a homeowners insurance policy isn’t designed to cover these types of vehicles that are, in many cases, unlicensed (exception riding lawn mower or motorized wheel chair)

Thus, ATVs, 4-Wheelers and snowmobiles need their own insurance protection from the usual hazards—fire, theft, collision—and even should have liability protection. Insurance companies offer policies for these “toys” as separate, stand-alone policies, not part of an auto or motorcycle policy. Coverage is most similar to that for motorcycles, wherein the CCs, year, make, and model matter. Also factored in are costs of a new vehicle, the age of

the operator, and the territory in which the ATV/4-Wheeler or snowmobile is stored.

N.B.: Do you or any friends have dirt bikes? Unlicensed dirt bikes can fall under these same kinds of policies as well. Check them out!

Chapter 11

“Anchors Aweigh!” — Insuring Your Boat

If you own a boat, you want to insure it—if for no other reason than to protect yourself from liability issues for passengers and property. However, what is the best way to do it?

You have two options.

1) **The Homeowners Endorsement**

You can add a boat via endorsements on your homeowners (including renters or condo owners) policy. Actually, it is not just one endorsement but two: one for liability on the boat itself during its operation; i.e., coverage if you hit another boater or boat; and the other to cover physical damage to the boat itself. Value is limited to \$2000.00 and max horsepower. Please check your policy wordings or contact your broker to confirm.

Your liability insurance automatically covers losses arising from ownership and non-business use for small boats with up to 16 hp outboard motors or up to 50 hp inboard motors; and sailboats up to 26 feet long.

This has what looks like a strong upside. It is easier, less hassle, and all-in-one-place convenient. Nevertheless, it is *not* your best option. Why not?

2) The Separate Boat Policy

Happy boat owners know that specific boat policies can offer benefits and features that a homeowners endorsement or “rider” cannot duplicate. Among them:

Replacement Cost or Agreed Value for Your Boat

With a homeowners’ policy extension, boats are written at an actual cash value, not replacement cost. We have already discussed the pitfalls of that form of coverage in our homeowners section, so be aware of them. By contrast, if you purchase a separate boat policy, you can actually get *replacement cost*—or at least an agreed value—for that five-year-old Larson open-bow. The agreed value is the value on the insuring agreement. With the electronic equipment new boats possess, this difference in potential payout can be significant.

Environmental Damage

Are you likely to cause environmental damage with your boat? Certainly not deliberately...but what happens if your boat malfunctions or—heaven forbid—*sinks*? Will you spill some oil? Fuel? That is environmental damage right there. If your boat is sitting on the bottom of a body of water...there is another environmental hazard. . If the lake or other body of water you are on (or in!) requires you to raise that dead boat and get it out of the water, guess what kind of coverage pays for that. Hint: it is not your homeowners!

Roadside Assistance

Okay, now you are looking at us funny. We know. Whoever heard of roadside assistance for a boat? Well, your insurance broker has, and with good reason. Your boat trailer could break down; your pulling unit could fail; your boat could need to be hauled somewhere for service or repairs—and it is not going anywhere land (and road-) locked. Unless you want to resurrect

the rugged pioneer art of portage, this is a time you will appreciate help for your boat at the side of the road!

On-Water Towing/Labor

Have you ever had a boat break down in the middle of the lake? You do not have to be piloting a sailboat to have the “wind go out of your sails” if that happens! Fortunately, on some boat policies, even on-water services are a covered option.

Water Sports

Does your family like to water-ski? Do you have friends with you who enjoy water sports? Your homeowners’ policy will not cover pulling others behind the boat for the sake of skiing or sports...but a boat policy will offer you that option.

Fishing Equipment and Personal Property

Fishing equipment can be as simple as a pole and a hook—or as complex as computer-aided fish finders, navigational tools, and other add-ons. You cannot cover them on that trusty homeowners’ package, either—but you *can* with a separate boat insurance policy. You may have to add this as additional coverage; check with your policy wording.

But What’s This All Gonna Cost Me?

Easy does it. Not to panic! Call your insurance broker and spell out your needs and your anticipated budget—*before* you actually buy the boat. Yes, before! We know you are rubbing your hands together, window-shopping, and dreaming of open water...but take it one-step at a time. Your broker will run you through a thorough list of questions to pinpoint the best combination and amounts of coverage for you, your boat, and your situation. He or she will ask you the following:

- Where are you going to use the boat: small inland lakes, Great Lakes, saltwater—and if so, how far out do you plan to go?
- What kind of “driver” you are (yes, think car insurance!)?
- How old the boat operator (s) will be?
- The age of the boat, its condition, its length, and maximum speed?
- Value of the boat, motor, trailer, and all accessories?
- Type of Boat:
 - Sailboat,
 - Jet Ski,
 - Power Boat,
 - Yacht,
 - Outboard, inboard, or I/O (inboard/outboard).
- Limit of Liability you want—especially if you have an umbrella policy.

Boating Rules:

The Canadian Coast Guard introduced new regulations for all power driven pleasure craft effective since April 1, 1999. A summary of the highlights is as follows:

New Age and Horsepower Regulations-as of April 1, 1999:

A person under 12 years of age and if not accompanied and directly supervised by a person 16 years of age or older cannot operate a boat more than 10 horsepower.

A person between the ages of 12 and 16 and if not accompanied and directly supervised by a person 16 years of age or older cannot operate a boat more than 40 horsepower.

A person under 16 years of age is prohibited from operating a personal watercraft (PWC).

These requirements apply when operating a pleasure craft fitted with a motor and used for recreation.

New Recreational Boat Operator Competency:

All operators operating a power driven pleasure craft will be required to show proof of having a level of competency when operating a power driven pleasure craft.

However, a graduated system has been put into place because of the large number of boaters on the waterways today. You should be aware of the following dates.

September 15, 1999: A person born after April 1, 1983 will require proof of competency onboard to operate a boat fitted with a motor.

September 15, 2002: Any person operating a boat fitted with a motor and less than 4 meters in length (including PWC), will require proof of competency onboard.

September 15, 2009: All operators will require proof of competency onboard.

These regulations apply to non-residents operating their pleasure craft in Canadian waters after 45 consecutive days. An operator card or the equivalent issued to a non-residence by their state will be considered as proof of competency.

Proof of Competency can take three forms.

Proof of having taken a boat safety course prior to April 1, 1999:

A Pleasure Craft Operator Card from a Canadian Coast Guard accredited course provider following successful completion of an accredited test.

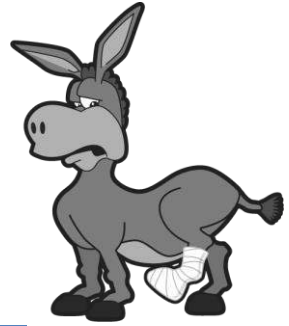
Boaters must receive a mark of 75% or more to obtain this card, which is good for life.

A completed Rental Boat Safety checklist (for power driven rental boats).

It is important that you become aware of the new boating regulations. If you require additional information, please contact your independent broker.

Chapter 12

The Well-Insured Life



Do you need life insurance? Most people know the answer is “Yes.” But how much? What kind? How does my health, age, or heredity affect how I buy and how much I am going to be charged for it?

Good questions, all of them. We will address the various aspects of a “well-insured life” in this chapter. However, let’s demystify some terminology and parts of the process.

Components

Plainly put, a life insurance policy pays survivors a benefit upon the death of the insured person. Thus, in every life insurance transaction, there are three key people—or **entities**—involved.

1. The Insured.

This is the person(s) being insured by the life insurance policy. A life insurance company will determine the price for this insurance based on the health and age of the Insured. This person will sign the application and the life insurance company will hire a medical examination company to perform the required medical tests (based on amount of life insurance being bought).

2. The Policy Owner.

The policy owner is just what it sounds like: the person buying, and paying for, the policy. Quite often, this is the insured him/herself. For other life insurance policies, the owner could be a parent (as with a juvenile policy for a minor); a business (as with life insurance on a key person); a business partner; or a trust. The policy owner must have an insurable interest—i.e., he or she needs to have an interest in and/or some connection with the person being insured—to buy the policy.

3. The Beneficiary (or Beneficiaries).

These are the people, businesses, or other entities who will receive money when the insured dies. In a typical life insurance policy, the beneficiary is a spouse or a family member. If there are multiple beneficiaries listed, the *Primary Beneficiary* is the first person (or people) who will receive money. The *Secondary Beneficiary* receives money if there is no primary beneficiary.

Pricing Factors

The price of the life insurance policy is determined by four different factors:

Your Age When You Buy the Insurance.

The younger you are, the cheaper life insurance is.

How Much Is Paid Upon Your Death.

The more you want your beneficiaries to receive, the more the policy costs.

The Policy Term.

The longer the life insurance is to stay in force, the more expensive it is.

The insurance company analyzes what the statistical chances are of your death during the policy period (hence, the actuarial tables). If you are 40 years old and buy a 1-year policy, the chance of dying

within 365 days of the purchase is low. However, if you bought a 30-year term, the chances of your dying during the term are, clearly, higher—since the policy covers you to age 70.

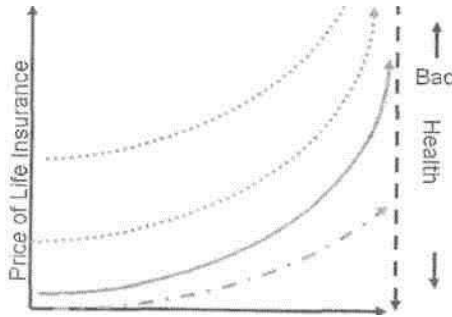
Your Health.

The healthier you are, the cheaper your policy will be.

Again, much as with age and term, life insurance companies analyze both your current health and your potential future health in determining these rates.

A standard policy starts out being priced on Table A; to the degree the insured is deemed “unhealthy,” he or she moves to different rating tables that increase premiums. This is called being “table rated.” Different medical conditions are rated on different charts, as well. A diabetic might be rated on Table D, while an overweight person might only be rated on Table B. Likewise, table-rating works to your favour when you are healthy and maintain good health habits.

The following illustration shows the different pricing points.



Types of Insurance

There are four basic types of life insurance, each of which has several variations—as well as pros and cons.

Level Term Insurance is the most common type of insurance. In this case, the life insurance company offers a set price (based on the pricing variables) for a period of time for a certain amount of life insurance. So you can buy a 20-year term, with a face amount of

\$100,000, for \$X per month. The insurance company is contractually obligated to charge you only the agreed-upon amount per month for the number of years you elect at purchase. You can buy term in any year increments, but the most common are 5, 10, 15, 20, or 30.

Pro: This is affordable life insurance, which can be priced within a client's budget.

Con: Once the term is over, the price of the insurance increases dramatically—so the insurance could then be completely out of budget range.

Whole Life Insurance is the only *guaranteed* full-life insurance policy (all the other types of life insurance cover only set periods of time). The life insurance company enters into a contract with the policy owner to charge a fixed amount per month, based on the insured's pricing factors. At the insured's death, the life insurance company *knows* they will pay the death benefit (instead of playing the odds, so to speak, that they will not have to). The monthly premium pays for two elements of this coverage: part defrays the actual cost of insurance, and part goes to a cash accumulation fund that earns interest on a yearly basis. These policies, therefore, have a "cash value" and can be used as assets to borrow against in time of need. They are also used for cash accumulation in the course of estate planning.

Pro: Whole life is guaranteed to pay a death benefit and builds cash value.

Con: It is considerably more expensive.

Variations on Whole Life policies include **Final Expense** insurance, which has a small face amount designed to handle funeral costs, and **Banking**, in which the cash value is developed with an eye to "saving up" for purchases.

Universal Life is a variation of term and whole life developed to provide a more flexible platform for insurance. The *basic* concept is that universal life is a 1-year term product with a cash accumulation feature. The difference between this and a term insurance policy, or even whole life, is that with universal life

insurance, your insurance cost goes up each year. The excess cash goes into a cash account that earns interest, based on the type of life insurance. With this type of coverage, you also have the ability to increase or decrease the amount of insurance you have purchased, as well as the amount of money you pay each month. This kind of insurance requires more vigilance, however, both the insured/owner and the broker need to keep a close eye on the policy for taxation issues with the CRA—and to make sure the policy doesn't run out of money. (If the cost of insurance ends up exceeding the amount of money available to pay for it, you can end up facing a “balloon” payment scenario, which pretty much negates the advantages of this type of policy!)

With an understanding of the pros and cons involved, however, universal life can be a great option.

Pro: It is more affordable than whole life and gives you the ability to change the amount you pay monthly to handle economic downturns.

Con: Tricky tax ramifications, plus the possibility that the policy will “implode” financially if the cost of insurance exceeds the amount of cash available to pay for it.

N.B.: Universal life policies also have several variations, but they are complex enough to be beyond the scope of this article; ask your broker for the particulars on these variants.

Riders

Riders are optional features that are “bolted onto” an insurance policy (like accessories for a car). Some “traditional” riders are:

Spouse: Allows a second person to be added to the policy (usually a spouse).

Child: Allows term insurance for children (while they are minors) at a reduced rate.

Accelerated Death Benefit: Allows an insured who is diagnosed as terminally ill to access some of their life insurance prior to their death.

Accidental Death Benefit: Adds additional life insurance at a reduced rate. This rider pays the additional amount only if the insured dies in an accident.

Accidental Death and Dismemberment: Similar to the Accidental Death Benefit rider, this also includes additional amounts to be paid due to dismemberment (or loss of sight).

Disability Income: Pays a set amount per month if the insured becomes disabled. This is similar to a disability policy.

Guaranteed Insurability: Allows for increases of life insurance to be bought (no matter the current health of the insured) at a set period of time. Often included on juvenile policies.

Level Term: Attaches term insurance onto a permanent policy, either whole or universal. It is bought for a certain period of time and usually is three to five times the base amount. It is designed to handle insurance for both short-term and future needs.

Waiver of Premium: Waives the cost of insurance if the insured becomes disabled. In contrast with a disability rider, which provides actual income, this rider merely “forgives” premium payments the insured would otherwise have to make.

We have only touched upon the surface of life insurance here; it is a complex matter, with policies that are as individual as the insured parties involved are. Consult with your insurance broker to create a policy that both meets your present needs and anticipates your future requirements.

Chapter 13

“Umbrella” Insurance—Safety for a Rainy Day

If insurance is for a rainy day, umbrella insurance is for a storm!

Your existing personal insurance — including home and auto policies — provides basic liability protection. However, what if you are faced with a lawsuit for a larger amount of money than your existing coverage provides?

Fortunately, Personal Umbrella Liability Insurance offers a highly economical way to get the extra protection you may need. The plan offers protection against large lawsuits from third parties by providing extra coverage above your existing home, auto, boat, vacation property, and other motorized vehicles policies when they carry \$1-million or more of liability coverage.

Underwritten by Insurance Companies of Canada, the plan’s attractively priced premiums allow you to choose from \$3- to \$5-million of additional liability coverage. The plan includes additional features covering certain liability claims that may not be covered by your primary policy, such as:

- Libel and Slander
- False Arrest
- Defamation of Character
- Coverage for volunteer activity
- Invasion of Privacy
- An accident with an uninsured motorist

24 Things You Need to Know to Protect Your ASSETS

- Coverage is extended to other properties
- Coverage extends worldwide

These policies are not expensive at all with premiums from \$200-400.00 per year.

Chapter 14

Home Based Business

If you are not working at home yet, you may be soon. For more and more Canadians, their “commute” to work is from the kitchen or living room to the den or study. By some estimates, there are as many as 1.8 Million Canadians who have home-based businesses, and that number is expected to grow rapidly.

✉ **Fact.** Unfortunately, many of these home-based businesses, perhaps even most, do not have adequate insurance coverage. One study found that 60% of those who work at home might not have insurance for their business activities.

The study also found that most of those without business-specific insurance believe they are protected by their homeowners insurance. Actually, a homeowners’ policy does offer some coverage for home-based business, but it is minimal. Most homeowners policies provide a maximum of \$2,500 coverage for business equipment (computers, fax machines, etc.) in the home.

If that sounds like it is enough, it probably isn’t. If you are sued because of your home-based business activities—the company that hired you, as a consultant, believes your advice was dead wrong; the computer equipment you “fixed” doesn’t work; the cookies you baked made someone ill -- your homeowners’ policy won’t protect you.

Further, if you have to shut down your business temporarily for whatever reason, the homeowners’ policy will not allow you to recover the income you lost because of the shutdown. There are

insurance policies available for home-based businesses that do provide this coverage.

Important Question: What is the Scope of Your Business?

Some home-based businesses do not need much insurance beyond a homeowners' policy, particularly those businesses that have minimal equipment, do not have visitors, do not often visit clients or offer fairly straightforward products. It is possible to add coverage to your homeowners' policy for your business.

☒ **Tip.** Often, for as little as \$14 a year, you can double the limit of coverage for business equipment from \$2,500 to \$5,000.

☒ **Note.** However, be aware that this additional coverage, known as endorsement, does not protect you if you are sued as a result of your business activities. As well, the endorsement usually does not cover income lost. Some insurance professionals strongly believe that business-related endorsements to homeowners' policies are not a good idea for any home-based operation.

One fairly inexpensive option for home-based business owners is a **home based business policy**. The policy provides the standard coverage for homeowners—including fire, theft and personal liability—as well as coverage for business property, commercial liability and loss of income.

☒ **Tip.** Often, for about \$200 a year, you can purchase a policy that offers \$10,000 of coverage for business property. You can also buy business liability coverage with limits of \$1 million *to \$2 million*.

In addition, the home office/in-home business policy provides some coverage for loss of valuable papers and records, accounts receivable and business property not located in your home. You can also buy additional coverage for equipment breakdown and theft.

☒ **Note.** While the home office policy offers adequate coverage for many in-home businesses, it is not the best option, or even a prudent option, if you conduct a large amount of your business away from your home.

The most extensive coverage for home-based businesses is available in a **business package policy**. If you stock a lot of inventory, manufacture fairly complex products or provide professional services where there is a significant risk of being sued by disgruntled clients, a package policy is probably the best option.

Depending on the limits of coverage you need for property and liability, package policies can cost anywhere from \$500 to more than \$1,000 annually.

☒ **Tip.** No matter what type of coverage you choose -- whether it is an endorsement to your homeowners' policy, a home office/in-home business policy or a package policy—you and your broker should evaluate, on a regular basis, at least once a year, whether your insurance is adequate. As your business grows, it is quite possible it will outgrow your insurance coverage. The bigger your business, the higher limits of property and liability coverage you need

Part II: Commercial Insurance

Chapter 15

Protecting Your Business ASsets—Building Stock and Equipment

Purchasing Commercial Property insurance is a top priority to protect the future of your business. When most people think about insuring their business the first things that come to mind are protecting their building, equipment and stock.

What is included in Building, Equipment and Stock insurance coverage?

Building includes fixed structures on the premises, additions and extensions, permanent fittings and fixtures, materials, equipment for maintenance, repairs, minor alterations or building services and decorative trees, shrubs and plants inside the building. The value of heating, plumbing and air conditioning systems, lighting fixtures, wall-to-wall carpeting, burglar and fire alarm systems are included in the amounts on the building.

Limited coverage through extensions is provided for growing plants, trees, shrubs or flowers in the open. Debris removal and

removal of debris blown in by windstorm are covered as extensions subject to certain limitations.

Equipment includes all contents usual to your business except stock, which includes:

- (1) Furniture, furnishings, fittings, fixtures, machinery, tools, utensils and appliances;
- (2) Similar property of others if insured is obligated to insure or is legally liable; and
- (3) Tenant improvements made at the expense of the insured provided the insured is not the owner of the building.

Extensions provide coverage on a limited basis for:

- (1) Personal property of officers and employees,
- (2) Building damage by theft, and
- (3) Growing plants, trees, shrubs or flowers in the open.

Subject to certain limitations, extensions also provide coverage for temporary removal of property to prevent loss or further loss, debris removal and removal of debris which has been blown on the Insured's premises by windstorm.

Stock includes merchandise, packing, wrapping and advertising materials and similar property of others if insured is obligated to insure or legally liable. Extensions provide limited coverage for building damaged by theft and temporary removal of property to prevent loss or further loss and debris removal. Certain classes of property are subject to a sub-limit and/or Named Perils.

Stock held for sale will be insured within the coverage provided for stock so long as they constitute goods usual to your business. If your business as described on your policy is a bookstore, the insurer will have grounds to deny any claim for loss of merchandise not usual to a bookstore.

What is Your Property Covered Against?

You can purchase either a Named Peril or Broad form coverage to protect your business property.

A Named Peril policy will cover your assets for a set number of perils, which commonly include fire, explosion, falling object, smoke, impact by aircraft or land vehicle, lightning, riot, vandalism or malicious acts, windstorm or hail. This policy covers those events named in the policy and is usually less expensive because it provides limited coverage.

Most people purchase a Broad form or comprehensive form of coverage to protect their assets. The Broad form provides protection for any loss by perils not specifically listed as exclusion in the policy. Sometimes the term ALL RISK is mistakenly used to refer to coverage on a commercial policy. There is no insurance policy that insures against all losses. Some common losses insurance companies simply cannot offer coverage for, as they are uninsurable, are Nuclear energy hazard; and deliberate acts of Violence, War, Rebellion or revolution.

Coverage can be purchased back on some excluded perils by purchasing special extensions, riders or policy endorsements for extra money. Examples of some of the most common ones are Flood endorsement, Earthquake endorsement, Sewer backup endorsements, blanket by-laws endorsement, Boiler and machinery policy (Equipment break down) to name a few common ones. All policies contain exclusions for both property and perils insured. It is important to read your policy and review with your insurance broker what property and perils are excluded and determine if you want to pay extra to purchase the available endorsements rider or specialty policy.

Building By-laws Coverage

This coverage is optional. Depending on the local by-laws, your business may be in need of this coverage. The reason this coverage may be needed is due to exclusion on most property policies. This exclusion states increased cost of construction due to the

enforcement of any by-law, regulation, ordinance or law regulating zoning or the demolition, repair or construction of buildings which makes it impossible to repair or reinstate the property as it was immediate prior to the loss is not covered by the policy. For example if your building is partially destroyed by fire (55% of it) and the local by-laws state that any building which sustains more than 50% damage must be demolished and rebuilt, you would only receive payment for the 55%. The other 45% that would have to be demolished and rebuilt would not be covered unless you have purchased the by-laws coverage. The by-laws endorsement will protect your business from the following situations:

1. Increased cost of construction. For example you have a fire and your building is destroyed. The local town or municipality has a bylaw that states that all frame buildings be replaced with brick. The increased cost for you to do this is \$20,000 to \$30,000 extra. This coverage would protect you against this situation and pay the additional costs.

2. Loss of value of the undamaged portion of the building. If the law does not allow you to integrate your undamaged portion of your building into the new construction you may have no alternative but to demolish the undamaged portion of the building. This covers the value of the undamaged portion.

3. Cost of demolition of undamaged portion. If you have to demolish the 45% of your building that is not damaged there is no coverage for the actual demolition costs and the debris removal unless you have this coverage.

How Property Losses are Determined

Property insurance can be purchased on either an actual cash value basis, or “replacement cost” basis.

Actual Cash Value: This is the amount it would take to repair or replace the damaged or stolen property after deducting for depreciation. In most policies if you have an insured loss and carry actual cash value the settlement will be based on the cost to repair or

replace the item less depreciation. You will receive the lesser of the following:

1. The actual cash value of the damaged items;
2. Your actual interest; or
3. The limit of insurance you have on the policy.

Replacement Cost: This would provide for the cost of replacing, repairing, constructing or reconstructing (whichever is less) the property on the same site with new property of like kind and quality and for like occupancy without deduction for depreciation. The replacement must also be done as quickly as possible on the same site. If the item is not repaired or replaced, coverage reverts back to actual cash value (depreciated value). Replacement cost does not include the value of your land.

Insider Tip

Whether your business is insured for replacement value or actual cash value, it is important to review the value of your property on a regular basis. Inflation tends to increase the replacement cost of your property, while the actual cash value may decrease over time. The value of your property can be determined by using the original construction costs, regional construction costs guidelines, or by hiring a professional appraiser.

If your property contains valuable items such as fine arts, accounts receivable, or valuable papers and records, you may need to buy additional protection to cover these specific items.

A Layman's Guide to Understanding the Co-Insurance Clause

Since the concept of Co-Insurance is a fundamental principle of property insurance, it is imperative that you understand it before considering the amount of insurance to buy.

Co-Insurance is simply an agreement between you and the Insurance Company, whereby you agree to maintain coverage up to

a stated percentage of the value of the property you wish to insure (usually 80% or 90%). As a result of this promise, a significant concession in the rate is given.

Should a loss occur, consideration is then given to the amount of insurance carried compared to the actual values prior to the loss. If the amount of insurance is within the agreed Co-Insurance percentage requirements, the loss is paid in full, up to the policy limits. If however, the amount of insurance that you carry is below the agreed percentage you and the Company then **SHARES** the loss.

Example: Assume the value of the property you are insuring is \$100,000 and the policy contains an 80% Co-Insurance clause; this means you should be carrying at least \$80,000.00 coverage. If you were only carrying \$50,000.00 coverage and had a loss of \$40,000.00, the Insurance Company would pay based on the following formula:

Amount of Insurance Carried X **Amount of the loss** =
Claim payment

Value of Property X 80%

\$50,000.00 X **\$40,000.00** = **\$25,000.00**

\$100,000.00 X 80%

In this example, you would suffer a ***\$15,000.00 Co-Insurance penalty!***

Insider Tip

A REGULAR AND CAREFUL REVIEW OF THE VALUE OF YOUR INSURED PROPERTY IS ESSENTIAL IF CO-INSURANCE PENALTIES ARE TO BE AVOIDED. WE RECOMMEND YOUR INSURABLE VALUES BE DETERMINED BY A COMPETENT, INDEPENDENT APPRAISAL COMPANY.

How Do You Schedule Your Business Property?

Your property can be scheduled separately for Building, Equipment or stock, or combined under A POED basis, or if you do not own the building a COED basis. Let's assume you have a building valued at \$500,000, equipment valued at \$100,000 and stock valued at \$50,000. Your policy also states you must keep 90% co-insurance.

1. **Scheduled Basis** – In this method you will schedule a value for your Building, Stock and Equipment. Based on the above example:

Building – \$500,000

Equipment – \$100,000

Stock – \$50,000

2. **Property of Every Description (POED)** – This is when you combine your building, stock and equipment into one total blanket limit. When coverage is provided on an all property (Blanket) basis, all property owned by the insured is covered or blanketed by a single limit of insurance

In the above example the policy would list – POED \$650,000 (\$500,000+\$100,000+\$50,000)

3. The last way is **contents of every description (COED)**. Some clients do not own the building but rent it. In this case, you would just need to combine the stock and equipment limits. Some companies will also use the term Contents to refer to the combination of stock and equipment.

In the above example your policy would show

COED – \$150,000 (\$100,000 + \$50,000)

Chapter 16

The Big Kahuna: General Business Liability



General Liability Insurance: Do Not Go Into Business Without It!

If you have a business, you need Commercial General liability insurance, but how much do you understand about what that really means? Whether this is your first go-round or you are a seasoned business professional, if you have questions...ask. Every business is its own unique dynamic, and you want to know where the “sharks” are *before* they swim up and bite you!

Commercial General Liability insurance (CGL) protects your business from financial loss should you be sued because of property damage, injuries, or death caused by your services, business operations, or your employees. A typical example of commercial general liability insurance is “*slip, trip, and fall*” coverage, which protects your business against lawsuits because someone slipped, tripped, or fell in your workplace.

A CGL insurance policy will usually cover the costs of your legal defense and will pay on your behalf, all damages if you are found liable—up to the limits of your policy. CGL coverage is one of the most commonly sold insurance products, primarily because of the impact that a lawsuit can have on a business and because such liability suits happen so frequently.

The cost of commercial general liability coverage is based on the type of business you operate. Typically, the cost of a CGL policy for a warehouse would be based on its size; or a laundry mat on its gross sales; or a general contractor on the total cost of the project, etc.

Standard CGL coverage is divided into four primary groups:

- Bodily Injury / Property Damage
- Personal and Advertising Injury Liability
- Medical Payments
- Tenant Legal Liability

Let's briefly consider how these work.

Bodily Injury / Property Damage Liability

Fundamentally, if your company, your product or service, your employees, or for that matter anything that is associated with your business, causes physical harm to someone, or damages their property or belongings, the courts could find you legally liable. When a business is held legally liable, it is required to pay the injured party what is referred to as *compensatory damages*.

Of course, there are limitations to this type of coverage. For example, CGL would not cover the following if the:

- Courts apply against you or one of your employees a punitive damage claim, which is a judgment to pay money as a form of punishment.
- Injuries or damage caused to another person or their property resulting from intentional acts.
- Injuries or damage were caused by your commercial vehicle.
- Damages are to property that you own, rent or otherwise occupy.

Personal Injury Liability

Personal injury liability coverage (under a commercial general liability policy), protects your business, yourself, and your employees:

- Against lawsuits wherein it is claimed that what you or an employee said or did caused damage to the reputation and character of a third party

In contrast to bodily injury claims, personal injury claims arise from alleged damages caused to a third party that do not necessarily result in visible, physical harm. The most common types of personal injury claims are:

- Libel (something printed about you that is untrue and damaging);
- Slander (something said about you verbally that is untrue and damaging);
- Malicious prosecution;
- False arrest, detention or imprisonment;
- Oral or written publication of material that violates a person's right of privacy;
- Other actions that inflict emotional pain and suffering.

As can be imagined, this type of claim can be caused by a wide range of incidents. The most common claimants are disgruntled former employees, dissatisfied customers and others who believe that they have been aggrieved by you, your company, or your employees.

What is not protected under the personal injury coverage?

The primary exclusions relate to situations where a person:

- Publishes or says something about someone or the product / service of the company, which they know to be false.
- Assume liability as outlined in a contract.

- Commits offences that are illegal, or are infractions of municipal ordinances or by-laws.

Advertising Injury

The courts have commonly held that advertising injury relates to damages caused by slander, libel, privacy violations, copyright infringement, and disparagement of goods, products or services of other companies. As the title suggests, the injury arises when your company performs some form of advertising or marketing activity.

For example, you may inadvertently use, on your website, a picture that is copyright-protected, and the copyright holder files a claim against you. Or the content of one of your promotional ads or flyers is deemed to make disparaging remarks about a competitor's product or service.

Should such a situation arise, your advertising injury liability coverage would protect your business and your assets.

Medical Expenses

This type of coverage is sometimes referred to as “Goodwill Protection” and is designed to pay for a third party's minor medical expenses that arise from an accident on your company's premises, or as a result of your company's operations. This coverage can be applied in some cases as a way to avoid a costly lawsuit. For example, someone slips on a wet showroom floor, and breaks their leg. The medical expense coverage could cover the costs of their medical bills and their lost time from work, without the expense of going to court to resolve the issue.

Tenants' Legal Liability

Accidents happen, and as a tenant, if you cause property damage to the landlord's property, you could be held legally responsible. For example, it could be a fire that results in smoke and water damage; or a flood caused by equipment you are using in your rented premises. When this occurs your Tenants' liability coverage will

defend you against any action to cover the costs to repair the damages. This coverage only applies to “property damage” to premises owned by others rented to you or occupied by you.

Although your landlord’s commercial general liability insurance will protect him/her, you still need insurance coverage to protect your business.

How can I prevent liability issues from arising? The most effective way, is to prevent liability-type losses from happening in the first place. This means identifying the types of risks associated with your premises and your products or services, and then reducing or eliminating the potential of them happening. Due diligence, along with good documentation where appropriate, is a very effective way to protect and/or defend your organization against a claim or lawsuit should one arise.

In addition, if you are one of a number of tenants in a building, it is a good idea to ensure that your lease agreement clearly spells out each party’s responsibilities. For example, what areas are you responsible to maintain, inspect and repair?

In this regard, it is helpful to know a little about some of the criteria that the courts use to determine whether or not your business took appropriate steps to prevent an accident:

- Was the danger foreseeable?
- Did you or your employees conduct yourselves appropriately or work in accordance with acceptable standards of practice?
- Was there an adequate program of inspections based upon the risks involved? Were these inspections carried out?
- Did the risk/danger suddenly arise, or had it existed for a longer period of time?
- How difficult would it have been to prevent or remedy the risk?

What Your Policy Will Cover

If you are a businessperson, you take some risks every single day. What you buy insurance for is to *keep* you in business despite all kinds of hazards and potential trouble. Commercial General Liability insurance insures against bodily injury or property damage to a third party arising out of your negligence.

Lawsuits, Investigations, and Settlements

If damages are filed against you or you are sued, commercial general liability covers your insurance company's investigation and attorney expenses, any judgment or settlement, medical expenses in case of injury, and any bonds if they must be subsequently posted up to the limits on your policy.

Injury Damages

If anyone suffers a personal injury or damage to their property on your premises—or from one of your products, your company operations, or even from your advertising (hard as that may be to imagine, some people will take personal issue with ads for various reasons!)—this part of your coverage handles those claims.

Miscellaneous

Dozens of “odd” things happen to companies every day—for example; someone sues your marketing department for copyright infringement, or files a claim on an accident that happened after an alcohol-fueled company party. (This is part of your coverage as long as your company's business *isn't* the manufacture or selling of alcoholic beverages!). For this and other quirky, unclassified claims, general business liability insurance is a “basket” where they can be sorted out.

What *Won't* Your Policy Cover?

General liability is a great form of coverage, but it cannot do everything. For example:

It does not cover employee injuries.

When workers get hurt on the job, that is not the bailiwick of general business liability—that is the realm of the wonderful world of “workers’ compensation.”

It does not cover professional mistakes.

What does that mean? Well, if you are in the business of providing professional services to clients—say, you are a veterinarian, accountant, counselor, advisor, architect, or the like—your “professional mistakes” are not covered by general liability but by professional liability coverage. Its task is to take care of “goof-ups” and/or disgruntled client complaints that may occur as you offer your opinions, solutions, services, or recommendations in the everyday course of conducting business.

It does not cover car issues.

Don’t think general business liability is a substitute for separate auto insurance for your business; it’s not! A hired auto (for cars your business rents) and non-owned auto endorsement will protect your company in case of a lawsuit, but that is all it will do. It does not cover damage to your owned or leased vehicles—or provide personal protection for either you or your employees. Auto insurance exists for a reason; be aware of that and use it properly.

It does not cover punitive damages.

With very, very rare exceptions (did we mention they were rare? They are), general business liability policies will not pay for punitive damages resulting from a lawsuit. You can catch “lightning in a bottle” and be one of the exceptions...but you do not want to stake your business on lightning!

It does not cover expected or intentional acts.

If something is an expected act or logical consequence—or it is intended—your business liability insurance will not shield you. Say, one of your employees “goes postal” and assaults a customer; if that customer turns around and sues your business, you are on your own business liability wise. However, if a *customer* “goes postal” and jumps your employee, and your employee acts to defend him/herself or the company from a criminal act...*that is covered*. The

difference? One instance is interpreted as deliberate on your part; one's not. Simple, yes?

It does not cover the quality of your work.

A “workmanship” exclusion is a common part of this kind of policy. That is because insurance companies do not take care of what's rightfully the area covered by warranty.

A Final Note:

Insurable Risks vs. “Don't Even Go There” (or, the “Duh!” clause)

Liability insurance covers the risk of being sued for negligence or strict liability torts, but not any tort or crime with a higher level of *mensrea*. In other words, if you are actively engaged in criminal activity, you can't use liability insurance to cover the costs to defend yourself from the consequences of that activity.

This rule (which probably ought to be nicknamed the “Duh!” clause!) exists so that criminals—in particular, organized crime—cannot use “insurance” to cover themselves when they are prosecuted by the province or sued by their victims. If such coverage were allowed, in effect, not only would “perps” have protection against consequences of deliberate acts, but insurance companies would profit from said crimes as well—by allowing criminals to buy the insurance!

N.B.: It should be noted that crime, *per se*, is not uninsurable. It is not covered by liability insurance, but by *loss insurance*. This, as its name implies, compensates *victims* of crime for their losses—and is perfectly legal and ethical.

A Great First Step...Is Just That

In conclusion? General liability is a prudent first step in making sure your business stays solvent, productive, and well respected in your world. Now, let's talk about some more focused, individual,

and particular insurance products that should also be part of your complete business protection package!

Chapter 17

“Don't Look Now, But...” — Professional Liability Insurance

What Is Professional Liability Insurance?

Professional Liability Insurance protects professional advice- and service-providing individuals and companies from claims and lawsuits clients file if they don't like what you do, or did. Everyone makes mistakes; we are all human. There is only a problem when someone decides that your “mistake” is worth going to court over. Then...you may be up a proverbial creek without a good paddle.

So Do I Need It?

You might. It is a good idea for anyone who provides professional service or advice.

Now, this insurance can be confusing to buy because it goes by so many names. **Malpractice** and **Errors and Omissions**, for example, are just two forms of it. Malpractice is concerned with the medical profession, while Errors and Omissions is often used by brokers, consultants, and lawyers. Nevertheless, it is not just high-level or high profile professionals who should have this coverage: architects, accountants, veterinarians, engineers, pharmacists, and even such folks as church counselors and funeral directors would be smart to “ante up” for it.

My Business Has Liability Coverage Already. What is the Difference?

Simple. Your business liability policy does not cover your *personal professional* liability. General business liability insurance is good for when someone gets hurt or something is wrecked (i.e., bodily injury, personal injury, property damage). However, if someone thinks you did a lousy job in some way—they can go after you for negligence, misrepresentation, violation of good faith, or advice that they think stinks—your business liability policy will not be much help. You will have to defend yourself, even against a groundless claim, and the legal fees alone can make or break some practices. They can even bankrupt you. Is your business worth rolling the dice on that kind of chance?

We did not think so.

Trapeze artists are not the only ones who need safety nets; you do, too. This one can protect you from stuff you never thought you could be sued for...but that you *can*. Do not let your business operate without a net—the costs of a “crash landing” could be *much* more than you bargain for!

Chapter 18

Crime and Potential Business Punishment

Crime insurance is a broad term used to describe a selection of individual coverage relating to the taking of money, securities and other property from a business or organization. The reality is that every type of business is vulnerable to criminal actions. These acts may be crimes of opportunity or attacks by more determined and calculating criminal elements. Computerization and modern technology have made most corporations and organizations easier targets.

Crime insurance is sometimes divided between losses that take place “inside” the business premises and losses that occur “outside” the business premises and can include employee dishonesty, forgery, theft, robbery and holdup, burglary and fraud, as well as a host of other crimes.

Why Does Your Business Need Crime Insurance coverage?

Canadian employees steal approximately 20 billion dollars per year in money, securities, stock and other property and other policies do not cover this risk. Unfortunately, the majority of businesses don't purchase enough crime protection. Business owners rely on their property, fire or business owners' insurance policies only to discover, to their financial detriment, that crime-related losses are not typically covered by these policies

- Do you have employees?
- Do you handle cash?
- Do you own a computer?
- Do you own data or customized software?
- Are you an owner or tenant in a building?
- Do you own inventory?
- Do you handle securities?

If you answered yes to any of these questions, you likely need crime insurance.

The common types of coverage you can purchase to protect your business against crime are.

- Employee dishonesty
- Disappearance of money and securities
- Check forgery or alterations
- Acceptance of counterfeit money orders and paper currency
- Credit card forgery
- Depositors forgery
- Computer fraud and funds transfer fraud
- Loss of monies inside insured premises
- Loss of monies outside the premises

The three main types of coverage that business owners purchase to protect their crime exposure are:

1. Money and securities (broad form) rider.
2. Comprehensive Dishonesty, Disappearance and Destruction rider (known as the 3D).

3. Computer Theft and Funds Transfer Fraud Coverage

Make sure your business is protected. Don't let internal theft or fraud threaten the bottom line of your company

Chapter 19

Pardon the “Business Interruption”

Consider the following worst case business scenario... A fire destroys your building or a burst pipe floods and severely damages the inside of your business. While property insurance will cover the cost of replacing your building, equipment and stock, how do you maintain your business in the mean time?

It is important to have coverage to pay for your loss or revenue while your building or your location is being rebuilt. Business interruption insurance is designed to protect the earning power of your business.

If your business can't get back into business in a very short time after a disruption, you could face significant financial challenges such as:

- Lost income but continued operating expense
- Reduced earning capacity
- Increased Vulnerability to competition
- Financial Strain that hinders recovery and reopening
- Permanent loss of important customers
- Permanent loss of key employees

You rely on income to stay in business now and into the future. With business interruption insurance you can maintain your income and protect your business operations.

Business Interruption Insurance not only compensates you for lost income, it also covers continuing operating expenses like electricity, rent, taxes, salaries, insurance and other expense that continue on even though your business has stopped generating revenue. Depending upon your coverage, it can also help you pay for the costs involved in establishing temporary premises or paying employee overtime.

Types of Business Interruption coverage

1. **Extra Expense** – Is designed for businesses that need to keep running while they are recovering from damage. It covers extra expenses like re-locating to another building temporarily or outsourcing work. This is coverage over and above the cost of doing business, and is used to quickly locate and get a business up and running again. An example of this would be an office company with extreme portability in their operations. They back up their computers daily or weekly and simply have to set up new phones, computers and desks and can resume operations within a week or two (if not sooner). A company with employees may consider ordinary payroll coverage to pay salaries for the absolutely necessary staff during the downtime (or they can self-insure).

2. **Gross Earnings** – commonly used by manufacturers, this coverage is straightforward – it insures for the earnings lost as a result of an insurable claim. Earnings are calculated as revenue minus expenses that cease while the business is not operating (like light, gas)—items that do not have contractual obligations. This form of business interruption insurance usually ceases when the company opens its doors for business again. Manufacturers would use this coverage in conjunction with extra expense to sub-contract out assembly line product etc to a competitor while they rebuild their shop.

3. **Profits Form** – Provides indemnification for the loss of profits and ongoing fixed expenses. This form of business

interruption continues for up to a year after the doors re-open in order to assist the business in re-acquiring their clientele and profit levels. This type of coverage is commonly used by sales and highly competitive businesses where an extended downtime could cost market share and client loyalty. There is a fourth type called Actual Loss Sustained but it ties in with the profits form. As the name suggests, the coverage indemnifies the actual financial loss sustained as defined in the policy wording that would come with the policy.

4. *Actual Loss Sustained* is an excellent, extremely broad form of business interruption insurance. It is similar to a Profits Form policy, but it pays up to the actual loss sustained. For example, if your business property policy insures you for fire, and that fire is damaging enough that you cannot operate your business, you will be covered for the loss of gross profits and extra expenses, including rental value.

5. *Rent or Rental Value Coverage*

If you generate income from buildings or space you rent out to others, you may want to consider **Rent or Rental Value coverage**. If you are out rental income because of an insured loss, this coverage provides you with the lost rent money until the repair or replacement is complete.

Insider tips

1. Make sure you look at the payroll coverage on your business interruption policy. Some policies exclude ordinary payroll. You can purchase payroll extensions coverage.
2. Contingent business interruption. What if one of your major suppliers has a loss to their building and you cannot get supplies for 4 months?
3. Most business interruption policies will cover you for 12 months. However after reviewing your needs you may need to purchase a longer period of coverage e.g. 18 months. Longer periods are available. We recommend that you have your accountant

complete the business interruption forms to make sure your limits are adequate.

4. As with every insurance policy there are different options, policy wordings, enhancements or amendments available. Review your situation with a registered Insurance broker so your protection is tailor-made to suit your requirements.

This coverage is not sold as stand-alone but can be added on to your business property insurance policy or package policy. Business interruption policy only pays out if the cause of the loss is an insured peril on your policy.

Chapter 20

The Breaks of Equipment Breakdown Insurance

Property policies only cover damages to your equipment from “external” causes, such as a fire, hail and windstorm. Property policies do not cover damage from “internal” causes such as mechanical failure of the equipment, electrical short circuit, motor burnout, centrifugal force, a boiler overheating or cracking, and mechanical breakdown. Coverage for these types of losses requires an Equipment Breakdown or Boiler and Machinery insurance policy.

Equipment Breakdown Insurance covers you for property damage resulting from the sudden and accidental breakdown of insured equipment that is not automatically covered by a standard commercial property policy. This coverage insures against property damage, business interruption (when included in your policy) and spoiled inventory or contents that result when specified kinds of mechanical, electrical and pressure equipment are damaged, including power surges.

You can insure nearly everything for loss that is mechanical, electrical or under pressure due to breakdown, including boilers, air conditioning and refrigeration units, electrical panels, computers, fire detection systems, inventory control systems and security or telephone systems.

For businesses with specialized equipment, you can also choose additional coverage for:

- **Production Machines:** Machines that process, form, cut, shape, grind, or convey product and maintenance machines, such as hydraulic presses, extruders, paper machines, lathes, mills, etc.
- **Electronic Equipment:** Television, radio or telephone equipment; medical or scientific devices; data processing, computing, duplicating or other office equipment. Examples include television transmitters, x-ray machines, computers, bar code scanners, etc.

I Don't Own the Building, So Why Do I Still Need Equipment Breakdown Coverage?

As a tenant you may not be responsible for the building's electrical, air conditioning or heating systems, but it is important to check your lease to be sure you are not responsible for the equipment that services your premises. If you are not responsible for these systems, your business operations and income are still dependent upon equipment of others. If the electrical, heating or cooling system of your landlord broke down, the interruption of those services can have an impact on you; so, getting the right equipment breakdown coverage is essential to protect you, even in contingencies like this.

Can I Buy Coverage For Loss of Income Due to Production or Other Equipment Failure?

Yes. However, this is not usually covered under an "equipment breakdown" policy. Protection against loss of income due to equipment breakdown requires coverage called "business interruption" or "service interruption."

Similarly, there is perishable goods coverage (consequential loss) to protect the value of foodstuffs or other materials that spoil as a consequence of a breakdown.

My Production Equipment Is Covered By Warranties and Service Contracts. Why Do I Need Equipment Breakdown Insurance?

Although warranties and service contracts provide some protection, they do not cover many of the common causes of equipment breakdowns. For example, typical maintenance contracts cover routine service such as periodic calibrations and other adjustments, and possibly cleaning, etc. However, such contracts do not pay for damages due to operator error, for example. Your equipment breakdown policy does cover such losses. Likewise, warranties and maintenance contracts do not pay for loss of income that results from equipment breakdown; nor do they pay for spoilage, damage to surrounding property or extra expenses to restore operations. Buying equipment breakdown insurance is critical as it covers all of these risks.

Examples of breakdown claims taken from Boiler and Machinery Company of Canada.

1. Power surge causes burnout of circuits in phone systems.
Property damage \$11,488 and Business Interruption \$6,000.
2. Computer Circuit board burns out \$2040.
3. Power surge damages restaurants refrigeration system. The restaurant has to close for repairs Property damage \$12,940, Business Interruption \$11,231 and spoilage of food \$26,900.
4. At a Metal Shop: The main drive of a hi-speed shaft assembly for a vertical turret lathe seized and suffered scoring damage when the lube oil filters plugged. HSB engineers and claims adjusters determined the problem was dirty electrical contacts for an oil pressure switch.

Business Interruption Loss \$31,301
Parts and Repair Costs \$39,393

Total Equipment Loss \$70,694

5. Machine Shop: An operator enters the wrong code into a CNC lathe and causes damage to the chuck. Repairs are delayed because parts must be imported from Japan. Total Loss\$50,000.
6. Light Manufacturing Plant: An aluminum bus bar in the electrical supply system burned out due to excessive moisture. The total equipment loss was only \$8,000 but the business interruption loss totaled \$201, 437.

Chapter 21

Directors and Officers Liability Insurance

In today’s corporate and business world, directors and officers face unprecedented levels of scrutiny. They are challenged on all sides by legislation, governance and compliance.

Directors and officers owe a duty of care to the corporation, which compels them to act without negligence. This duty may also apply to other stakeholders such as employees, creditors and customers. In Canada, corporate statutes state directors and officers have a fiduciary duty to act honestly, in good faith and in the best interests of the corporation – underpinned by the introduction of Bill 198 which was introduced to protect investors from misleading, insufficient or late corporate disclosures.

When it comes to directors/officers liability insurance, the first question you might ask is, “*Does my company need this coverage?*” Short answer? “*Maybe.*” For a slightly longer answer, the following will provide you with an overview that can help you get the ball rolling.

What Is It?

This insurance protects officers and directors of a company in the event that they are sued over matters related to job actions—or inactions. In their normal day-to-day duties, officers and directors perform a wide range of managerial functions; if they goof up, they

can be liable for mismanagement, performance shortcomings, and/or negligence.

Do I Really Need to Buy It?

Depends. According to a recent Watson Wyatt survey, some 31 percent of companies can expect to have at least one claim made against their directors or officers. Big companies are more vulnerable to this, of course; the smaller the company, the less often claims are filed against it. (Good news/bad news: claim frequency can rise when you have optional Employment Practices Liability as well.) However, no matter your company size, think about investing in this nicety: you will attract better director and officer candidates *with* it than you may *without* it.

What Does It Cover?

The policy covers a company's directors and officers for liability arising from actions connected with their corporate positions, mistakes or missteps both of omission and commission (things they should do and don't, or things they shouldn't do but do anyway). Additionally, if the policy provides EPL coverage, it also protects a company's officers and/or directors from job-related claims by employees: wrongful termination, failure to promote, sexual harassment, and violations of federal or state discrimination laws.

What Doesn't It Cover?

Every directors and officers liability insurance policy excludes certain specific things:

- **Illegal acts.** If an officer knowingly breaks the law, is dishonest, or commits fraud, that is not the province of insurance; that is a problem for your legal department.
- **Claims by the company against itself.** Because a corporation cannot sue itself, this means that one member of the

board cannot try to play “paper game,” sue another member of the board, and expect coverage. It is not going to happen.

- **Prior acts.** Anything done prior to the date of coverage is considered a prior act, naturally—and is excluded under the policy.
- **Professional liability.** A D&O policy does not provide coverage for professional acts of the insured in the normal order of conducting business; it strictly covers what you do *as a director or officer*. For example, in an architectural firm, the D&O does not cover a claim against any professional work done by any individual architect—only the work done by that architect in his or her capacity of *being a director or officer*.

How Does It Defend Me?

First of all, in the event of a claim, your defense costs are paid—no small thing in itself. As policyholder/owner, you will also have the right to work with counsel on defense, expenditures, and settlement options. Best of all, most policies allow you the right to select counsel. This means that you can work with your own attorney, as long as your insurance company approves your choice—a help to staying in your “comfort zone” with someone you already know and trust when the “legal bullets” fly.

Final Thoughts

If your company has directors and/or officers, think carefully about whether this is of value for you. A smaller company is less likely to be sued, but you still have some real exposure—particularly with the Employment Practices Liability option. Small companies often don’t have full-time human resource directors; that lack often leads to weaker procedures concerning hiring, firing, and promotions -- all high-level claim frequency areas.

Do not know for sure? Talk to your broker. Yes, you may not technically “need” officers and directors coverage...but the Employment Practices Liability aspect alone could make the

difference between keeping your business and seeing it go under.
Better to be safe than sorry!

Chapter 22

Package Policy

This is an insurance package designed to provide most of the needed coverage for a particular business insured in a single document. Such policies typically combine property coverage (both building and contents as needed), business interruption, general liability and often crime coverage with various special features and optional coverage into one neat, handy, easily carried bundle. (Well, okay, maybe you are not going to carry it around with you...but you get the idea.) In other words, boys and girls, it is what we call a HYBRID policy.

Why do you need (or want) a package policy in your life?

Before package policies, you needed to purchase every teeny bit of insurance individually. All those policies...all that paperwork...all that time...all that possibility for big-ol' mistakes! If Murphy's Law applies to business in general—and we know it does—it applies doubly when you are buying insurance for said business. In other words, if there is a hole, something is going to fall through it...and that “something” could be protection you and your business need.

No more!

Not only does a package policy do you a world of good for sleeping at night; but it simplifies the process immensely. Less paperwork...less time...less possibility for big-ol' mistakes, less

gaps in coverage, special features and extensions, which are difficult to obtain as individual policies with lower premiums? Sounds good, doesn't it? Yep. Thought so.

So what kinds of business will your friendly neighborhood package policy cover? Amazingly enough, LOTS of them. Things like...

Apartment buildings—and the landlords who love them

Office buildings (ditto the above)

Retail stores and service industries

Contractors

Garages

Wholesalers...

...and more.

I Want To Get a Package Policy! How Do I Do It?—Some Qualification Questions

Insurance companies look over a list of factors to qualify you for Package policy coverage.

- What you do: What type of business do you run?
- How long you have done it: How much experience do you have running that (or any) business?
- Space talk: How big is your building/facility/warehouse/Quonset hut?
- Just the cash, Ma'am: What are your gross receipts?

All these things will determine your eligibility for coverage; what kind you get; and how much it costs. In short, if you do business on "Main Street, Canada," you are probably a prime candidate for a package policy. Good news, yes?

So What Gets Protected On Packaged Policy?

1. Your Building.

Do you own a building? You can insure it with a package policy. It will usually come under a special forms basis, which means it is automatically insured *unless* you specifically exclude it. You would not want to do that, now, would you?

2. Your Business Personal Property.

It is one thing to insure the outside; this insures what is *in* it, and you do not need to be the building owner to get this insurance. Think about picking up your building, tearing off the roof, turning it upside-down, and shaking it. (Note: confine yourself to just *thinking* about this, especially if you *don't* own said building. Building owners are known to lack a sense of humor about this sort of thing. Just saying.)

What happens in your mind's eye? Stuff falls out of the building. That is what is protected on the Business Personal Property coverage—everything that “falls out.”

For apartment buildings, you have appliances, laundry equipment, and the like. In the office? Desks, chairs, tables, computers, phones and phone systems, paper clips, sticky notes, rubber bands, pencils, pens, that stapler you can never find...you get the idea. In a retail store, you can include all kinds of stuff: fixtures; inventory; computers; cash registers; and whatever office equipment and supplies are in the “back room.” Even a service business that operates a bare-bones physical location has supplies, inventory, and some office equipment and furniture. A wholesaler will have everything a retailer has, plus a bunch more, and it is *all* covered under the package policy Business Personal Property coverage. You might say it is a BOP with a BPP for good measure, if you were prone to say things like that. Or you might just put the building right-side-up again in your imagination, and read on!

3. Nifty Extras.

When you get a package policy, you often get a bonus: coverage that you may not think you will even need until you actually *do* need them...and then, they are priceless. Your insurance broker may not readily talk about all these individual types of coverage—so be sure to ask about them.

Replacement Cost

At the time of settling a claim, the insurance company typically will use one of two different methods to determine how much you are paid. It is a matter of a simple question, really. Would you rather be paid today's prices for old stuff—or yesterday's?

Yeah, we thought so. So if you want today's up-to-date, bright, shiny new price, be sure to get **Replacement Cost Coverage**, as opposed to **Actual Cash Value**, which will only pay you the item's depreciated value. Replacement Cost coverage may cost you a bit more—or, it may be included at no extra charge. However, even if it comes at a higher premium, it is worth the extra pennies to get extra dollars later. Replacement Cost puts you in place where you resume operations as if nothing ever happened—and, paradoxically, is the *easier* way to settle a claim. It is applicable to both Building and Business Personal Property...so be sure to think “replacement” for best-case results on worst-case claims.

Glass

Are you the one “minding the store”? Then you are also probably minding a whole lot of windows! Take care to make sure your policy covers any pane of glass that gets broken; some policies may be limited in the amount you are paid for a broken window or other glass. If you get this nifty “extra,” however, the amount of “extra” out of your pocket for that fragile (and expensive to replace!) glass all around you will be much lower.

Backup of Sewer and Drain

It is a nightmare to have sewers back up, anytime, anywhere. A worse nightmare is raw sewage backing up into your business

premises—and having the bill for professional removal come out of *your* pocket. *Do* leave this one to the pros, by the way; a community sanitary system is a mess *you* don't want to wade into (not to make a bad pun). Also, *do* make sure this coverage is part of your package, and keep all your receipts. You will want to prove that you did not just have “Uncle Ernie” come in with a roofer and call it “fixed”!

Signs

Does your business have a sign? Bet you do, and we will also bet you do not even think about it. What happens if a monsoon loosens its moorings, or a giant wind comes in and takes it to Quebec? Do you know what limits your policy has on repair and replacement? Be sure you know them—and if they are not high enough, get them there. Signs can be expensive to replace—and even more expensive in terms of lost business if they are here one day...and gone the next.

Portable Electronics

Is your portable electronic “gear” covered when it is not on your premises? If so, for how much? What limits kick in when? More business owners than ever before have laptops, tablets, and other work “gadgets” that go everywhere with them. If that is you, make sure you ask your insurance broker about potential limits on recouping any losses you may incur on those items while they—and you—are out and about.

“Bundles” of Joy—All Year ‘Round

Bundling up isn't just for wintertime anymore!

If you have shopped for anything at all nowadays, you know “bundles” are everywhere. Where your insurance is concerned, “bundles” are combos of different coverage that save you money, increase sub-limits, or bring in extras as a matter of course. True, they can cost extra small fees—but we would bet those small fees are substantially less than you will pay for several policies piled on top of each other. Different companies call these “bundles of joy” different things; “Plus Package,” “Gold Endorsement,” or the like. Just ask your broker about the best “package” deals available to you, and the advantages of each one.

N.B.: Whatever “bundle” you procure needs to be tailored for your individual risk and business type. Pay particular attention to the liability end of your bill: some companies charge on the basis of square footage, some on number of business units, and others on a flat-fee basis. This is yet another reason why having a sharp insurance pro on your side gets you the best all-around deal—he or she knows your business and will show you optimum ways to guard against your particular risks.

So don’t be afraid to get package policy—especially with a “bundle.” It can turn out to be a very warm-hearted decision, indeed, should the cold winds of hazard or loss hit *your* business.

Chapter 23

Employment Practices Liability Insurance

Ever tell a dirty joke at work?

Who hasn't repeated or told a dirty joke at work? It happens all the time from employee to employee and from supervisor to employee—and lots of folks don't think it's a big deal.

They are wrong.

Truth be told, *this is really a form of sexual harassment*, one that could cause a huge problem for an employer. Are you protected from these potential problems? Not necessarily. You see, your business liability policy covers you for injury others incur due to your work and/or negligence. It does *not* cover you for harassment, discrimination, a hostile workplace, or defamation.

Following a rise in incidents where an employee sued a company for sexual abuse or harassment—even where employees were demoted, passed over for promotions, or the like because of actions by their superiors—the insurance industry realized employers needed protection from this additional potential hazard. The product the industry formulated is called EPLI (Employment Practices Liability Insurance).

Here are just a couple of real-life examples of claims in the workplace that have been settled with an EPLI policy.

One example: a meatpacking firm settled a \$3.4 million lawsuit stemming from a required strength test of all new employees—a test

60% of the women failed, while nearly 100% of the men passed. Another example: an oil-change franchise where the manager made sexually explicit remarks to three female employees agreed to settle for \$299,000.

So think about the culture of your company; and how the workplace is perceived by various employee groups. The more layers of management or more complex company setup you have, the more you may need to investigate if an EPLI policy would be good for your business. It is protection that you do not already have with a normal business liability policy...and it can be priceless.

Chapter 24

“Insurance 3.0”—Cyber Liability

W

elcome to “Liability Insurance 3.0”—cyber liability!

What is *that* all about, you ask?

Well, we all know that with the increased proliferation of everything from personal

YouTube videos to independent films, e-zines, artistic endeavors, job boards and employment services, and all sorts of new business information online, we have access to communication across the globe as never before. Unfortunately...some of what’s online can be less than reliable. Some of it may be hazardous to both your individual health or security and that of your business. Some of it may make you, and your business, vulnerable to a whole new area of claims.

It is virtually impossible to operate a business these days without computers and a fast connection to the internet. Technology is the central core of nearly every modern company’s digital infrastructure—from data transfer and storage, email, to an online presence and social networking along with a huge quantity of software. But what about the risks all this connectivity creates? It is not hard to imagine a scenario where a virus on your system contaminates someone else’s, or your computers are hacked and important data stolen.

Given the sheer numbers of people and organizations on the Net, the universe of potential plaintiffs is staggering, and a potential legal

action from just one of them could be costly. In a 1999 case, a company improperly used a sports celebrity's name and photograph on its Website; the celebrity sued for the "fair market value" of his name, plus additional damages of \$750,000. Think about that kind of potential loss for your business. Could you absorb it?

If you could not, you are certainly not alone: the potential liability associated with Website content is already great, still growing, and rapidly evolving. By disseminating information to the public via a Web site, commercial businesses now have some of the same vulnerabilities as publishers. These include conventional publishing exposures such as copyright infringement, defamation, and invasion of privacy, as well as emerging exposures—such as virus transmission and other "bugs" — related to operating on the Web.

Traditional commercial general liability insurance policies do not address Internet exposure and the risks involved in doing Internet business; this is why cyber liability coverage is increasingly important in this Web-infused world. Most CGL policies have specific electronic data exclusions. That means cyber risks are not covered, leaving your company vulnerable to all kinds of suits—such as cyber-libel triggered by a simple ill-advised email, or the theft of confidential data. Cyberspace has sometimes been called the new Wild West. And when things go wrong for companies, like the theft of personal data or the circulation of damaging email conversations, the resulting damage to a business' hard fought reputation can be massive. The costs of defending any lawsuit can be huge too. That is why it pays to have the right cyber risks insurance for your company.

Ask your insurance broker about this additional protection for your company, if you have any presence on the Web, as it might be only a matter of time before you need it!

THE END -- AND THE BEGINNING

If you have learned only one thing from this book...wow, we have killed a lot of trees for nothing, haven't we? We could have just printed a *fortune cookie message* instead of a whole book. Ecological bummer.

Ah, who am I kidding? I know that a dedicated seeker of knowledge such as you will have internalized *several* key points from this volume. Fundamental, practical, common sense points. After all, no one is requiring you to *memorize the minutiae*.

That's right. As you sally forth and navigate the wide, wonderful world of insurance, this book can be your handy guide, and your constant companion. Your encounters and choices will be an *open-book test*! You can refer back to the book, you can bring your calculator, and you can even scribble notes on your hand. (But smokin' in the boys' room is still frowned upon.)

Yes, the *details* of different riders and jargon are things you can *look up* and refresh yourself on. We just hope we have impressed upon you those bedrock principles.

For instance, by now you know that there are three categories of consumers whom you **don't** want to be grouped with.

1. First is the joker who adamantly refuses to think about insurance. Like a magician pulling a rabbit from a hat, he can always smugly produce an anecdote about a friend of a

friend who experienced some sort of trouble in spite of having insurance. (Or was the story about buying a used refrigerator? He's a little fuzzy on the details.)

He "knows" that insurance is just one more blankety-blank expense. (So is a thesaurus, but perhaps he should invest in one so he doesn't have to say "blankety-blank" all the time.)

He fears that a commitment to insurance premiums will crimp his style and keep him from spending money on other things. However, he forgets that the other things (whether household gadgets or ostentatious corporate frills) are just more STUFF that he will be hard pressed to replace in case of fire, flood, theft, or accident.

Such a person chafes at the idea of being tied down to an insurance policy. He values his independence. However, independence goes out the window when disaster strikes and he has to go crawling to his brother-in-law for a loan or a basement to house his family in until the indeterminate time when he gets "back on his feet."

He is the sort of adrenaline junkie who has always rolled with the punches, fought his own battles, and landed on his feet. Nevertheless, you know about those radio/TV commercials for fantastic investment opportunities. The ones with the disclaimer about past results not being a guarantee of future earnings? Bad luck works that way. Just because you have dodged the bullet umpteen times doesn't mean you (or your children or your pets or your employees) will dodge that umpteen-plus-one bullet! And that's where insurance is indispensable.

Dave Ramsey (host of radio's "The Money Game" and founder of Financial Peace University) has worked relentlessly to popularize the idea of an emergency fund, but such a fund should be utilized in *conjunction* with an insurance strategy, not *in place of it*. Over a period of years, a person might accumulate quite a nice little cushion – but what if your dog gets loose and maims a neighbor child right

after you have made precisely two \$20 weekly donations to the fund? You will be wishing you had insurance as well.

2. The second category you don't want to fall into: the person who fully intends to obtain or update his insurance coverage someday but always makes it a low priority.

Yes, we know you've shaped your favorite easy chair or office chair to fit your posterior and it feels soooooo good just sitting there vegging out and procrastinating. But that favorite chair will be scant solace when it's floating down the river after a flood and you can't afford a replacement.

People in Category 2 put insurance on the back burner because they think that dealing with insurance decisions will interfere with their "to do" list and crimp their leisure activities—but insurance actually frees us up to do more with our lives. With your insurance needs tended to, you can (with a clear conscience) play backyard basketball with your kids, play golf with the corporate vice president you're trying to impress, or even play Linus in the local theater production of "You're A Good Man, Charlie Brown." But if you neglect your insurance needs, you'll never be able to play anything except a rather pathetic game of "should'a, could'a, would'a."

Think about it: your circle of friends and relatives probably contains more than one person who put off checking into cancer insurance until after being diagnosed with "the big C."

Yes, as Scarlett O'Hara consoled herself, "Tomorrow is another day." But so is the day after and the day after and... If you get into the rut of procrastinating, important things don't get done tomorrow; they **never** get done. Then you'll find your creditors snorting, "Frankly, my dear..."

3. The third type of consumer overreacts and tells himself: *"Don't just stand there – do SOMETHING, whether it's good or bad."*

Out of panic or laziness, this person robs himself of the optimum coverage by selecting the first insurance broker his finger stabs in the phonebook and by rubberstamping the first suggestion that pops out of the broker's mouth.

Yes, we understand how digesting a stack of brochures and weighing a lot of options can be intimidating. It can make your eyes glaze over. It takes you out of your comfort zone. But nothing takes you out of your comfort zone quite like sitting in a courtroom and realizing you have inadequate coverage or incompetent support from your carrier.

You owe it to your family or your company to do a good faith job of finding just the right insurance. You are cheating yourself if you do not take the time to get your personal information organized, research the agencies available to you, and diligently ask questions aimed at producing the perfect custom-fit policy.

Sure, some people can achieve sartorial perfection while buying clothing off-the-rack – but even those lucky stiff know there are certain areas of life where generics just do not work. You would not grade your daughter's suitors by playing *"Eenie-Meenie-Minie-Mo."* No one would tell a transplant surgeon, *"Go ahead and slap in a new heart, Doc. The hassle of getting a second opinion or making sure the donor matches is too time-consuming."*

Remember: you are not a BAD person if you wind up in one of these three categories, but you can definitely wind up a SAD person.

Beyond knowing the types of consumers, we hope you have learned that this issue is bigger than just you.

The importance of doing a good job with insurance becomes clearer and more compelling when you look at the Big Picture and all the people your actions or inactions will affect. *"There goes Jane? She employs 250 people, donated the money for beautifying the city park and serves as a magnet for other companies wanting to relocate to our town"* or *"There goes Jane. She had a great business going and then that one unfortunate liability lawsuit..."*

Finally, the important thing to remember is that this is DOABLE! We are not asking you to do anything impossible. If we were, we would call this book “*Don’t Think About A Purple Cow*” or “*Eating One Lay’s Potato Chip 101*” or “*How To Get Glamour Photos At The DMV.*”

Sure, there are people who never darken the door of an insurance brokerage and people who make mistakes buying insurance, but there are also millions and millions of ordinary citizens (not just business moguls or rocket scientists) who have diligently taken the necessary steps to have a satisfying lifelong relationship with their insurance provider.

With this book, you can be empowered to join the ranks of those people.

Just tell yourself “*I think I can, I think I can, I think I can.*” (Good thing we took out that “intellectual property theft” insurance policy!)

Armed with the information in this book, you can face the world with the reputation of being someone who knows what he wants and goes after it. You will never have to worry about being spoken of in the same breath as the poor guy from Troy who remarked, “*Why do I need insurance for chariot theft? Ha! That is about as likely as armed men dropping out of the belly of a wooden horse. Hey, what’s all that commotion near the city gates???*”

Book Jeff or Una to speak to your group

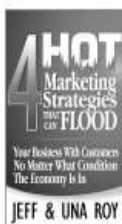
Jeff or Una are available to speak to your group or organization about how to protect your ASSETS. Because they've become marketing rock stars and grown their own business by 37% in just 3 years, they are often asked to not only share insurance tips, but to speak about how to grow businesses using little known marketing techniques that work

Some of their most popular topics include:

- 1 Teen drivers** – 7 things every parent MUST ensure is in place before handing the keys to their teen even the first time. They have developed THE BEST teen driver contract that reduces teen accidents by 80%.



- 2 Contractors** – Why a lazy dog can grow your business better than you can. They'll share the 4 hottest trends in the new economy and how you can use these 4 simple things to explode your business. Each attendee will get a free copy of this book as Jeff and Una's gift along with their trademarked Contractor Insurance Checklist.



- 3 High value homes** – What happens to your ASSETS if someone gets injured on your property? Are you protected or a lawsuit sitting duck? What 3 add-ons to your homeowners policy MUST you have in place that other brokers don't know enough to tell you about?



- 4 Farms** – One of the highest under-insured categories, Jeff and Una go through a simple 7 question checklist in this lively 30 minute presentation that has farmers scrambling to check their policies.



- 5 Non profits** – Just because you're a non-profit does not mean you can ignore the 10 danger insurance signs. Do you have gaps? Or are you fully protected. In this presentation Jeff and Una will also share a 3-step direct mail campaign a non-profit sent out to a 250 name cold list that brought back a 496% ROI.



Note: Jeff and Una provide these speaking engagements free of charge as a service to the community. They have limited availability. You can schedule one of both of them to speak to your organization by calling them at 519-482-9357