

IT'S YOUR Business

FROM THE COMMERCIAL INSURANCE GROUP OF
BRITTON-GALLAGHER & ASSOCIATES, INC.



Who's Covering What?

The tenant's side:

Common to all commercial property policies is an exclusion for property, real or personal, which you use or occupy, but is owned by someone else. For example, it's very common to lease premises owned by a landlord, and the property lease usually spells out the requirements for insurance. In some cases the tenant is required to insure the building, itself. Typically, a tenant will be required to carry liability insurance and cover his own improvements to the building, most often being responsible for breakage of building glass.

For personal property in your care, custody or control, there are several different means of handling insurance. When a business possesses customers' goods for repair, servicing or consignment as a regular or frequent part



of its operations, "Bailees" coverage is frequently used. Another coverage option is through the use of a scheduled property floater.

The landlord's side:

What happens if the tenant, through his own negligence, damages the property? Since the property is in the tenant's care, custody or control, the commercial property policy excludes coverage. This exposure is handled by a specific part of the liability policy known as

"Fire Legal Liability." Fire Legal Liability for a rented premise is generally limited from \$50,000 to \$100,000, but optional higher limits are available.

Whether you're a tenant or a landlord, it's important that you keep your B-G agent informed.

As Construction Costs Climb, is Your Insurance Keeping Pace?

Material costs have climbed dramatically since the 2005 hurricane season and devastation of Katrina. This trend has left buildings that cannot be rebuilt for the amount of insurance carried.

Marshall and Swift/Boeckh, a leading construction cost index information supplier, says that a frame building built in 2001 would cost an additional 25 percent to build today. Steel and concrete construction costs even more.

The insurance industry uses guidelines that provide reasonably close estimates of reconstruction, but nothing beats the use of a construction cost appraisal by a professional. So take out your insurance policy now and review your coverage to determine if it's keeping up with current construction costs. Call your Britton-Gallagher agent, who will be glad to help.

Maintain Protective Devices and Keep Your Insurance Protection Intact.

If you are receiving rating discounts for protective devices, or as a condition for insurance, you must keep them in good operating condition. Otherwise, your coverage will be suspended, or worse, if you're subjected to a loss, you may not be covered.

Examples of protective systems include automatic sprinkler systems, burglar alarms and cameras. In one case, a claim involving fire to a manufacturer was denied because the policyholder failed to repair a water holding tank for the automatic sprinkler system. Employees had warned the owner of a leak that was compromising the tank, allowing all the water to escape.

Make sure that as part of your regular systems maintenance you always check your protective devices and keep proper records to support this effort.

It's Your Business

Welcome to *It's Your Business*, a free publication from Britton-Gallagher for our Commercial Lines customers. We hope you'll enjoy receiving our newsletter. It's filled with timely tips and topics to help your business thrive and prosper in today's ever-changing business arena. As always, if you have any questions or comments, we'd love to hear from you. Feel free to give us a call at 1.800.607.4711. We look forward to serving you.

In 2006, No News is Good News.



After a bruising 2005 when the industry paid more than \$50 billion in claims, 2006 was a saving grace for the industry, and ultimately policyholders. Hurricane Katrina alone generated \$35 billion in losses. Several insurers with business heavily concentrated in coastal areas either folded or cut their exposure in these areas. Most notably was Allstate Insurance, who canceled thousands of policies.

Now, after a reasonably mild catastrophe year in 2006, the industry has had a profitable year and is coming under attack for reaping profits. The industry has responded by explaining to consumers that without profitable years, there would be no surplus dollars to pay losses in years when catastrophes are a constant standard in the headlines.

Failure of these companies to prepare for the inevitable catastrophe year would be irresponsible. Hurricane Katrina alone produced losses that equaled all premiums collected for the area in the previous 25 years.

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Overflowing Rivers aren't the Only Cause of Floods.

You don't have to live by a river or coastal water to be at risk. Floods also can be caused by storms, thawing ice or snow, hurricanes, and water backup due to inadequate or overloaded drainage systems.

In some situations, if you are applying for a federally regulated building loan, you may be required to maintain flood insurance. The primary source of flood insurance in the U.S. is the National Flood Insurance Program (NFIP). If your community participates in NFIP, you can

purchase flood insurance from your independent agent. NFIP also may pay the costs to comply with community flood plan management ordinances after a flood that results in substantial damage to a building, requiring its demolition, relocation or flood proofing.

Some argue that their risk is low and flood insurance is too expensive. NFIP offers a lower-cost option, the Preferred Risk Policy, that covers the building and contents for properties located in low- to moderate-risk areas.

Could You Meet Expenses if You Were Disabled?



According to a recent study by the National Association of Insurance Commissioners, more than 50 percent report they would not be able to meet expenses if disabled. Moreover, the Social Security Administration indicates that 20 percent will become disabled for a year or more before reaching age 65.

Short-term disability insurance replaces a portion of the policyholder's salary for a short period, usually from three to six months upon completion of a waiting period, typically 30 days. Long-term disability typically starts after a six-month period of disability. The coverage period can be specified for a number of years or until the policyholder reaches age 65.

Heart disease, back injuries and cancer are the most common causes of long-term disability. About one-third of disabled worker claimants are diagnosed with a mental disorder including anxiety and depression.

Call 800-607-4711

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