

# NEWS LETTER

*n.p. james insurance agency*



November 2002

## LESSONS LEARNED

### Scheduling Specific Property

*What to - what not to*

While jewelry and silver are the most frequent property losses by theft, those are usually from residential homes and not businesses. Computer equipment is the most frequent commercial property stolen, including boards, parts, and components. Value versus weight makes electronics an attractive target.

The principles of scheduling coverage are the same in your home as in your business, however. So — what should be specifically named and valued (with appraisal or receipts) and what should be designated as general “contents”?

#### *Schedule:*

Any property that moves around a lot, traveling from business site to clients or tradeshows, etc. Gemstones, high-valued products samples and like items.

#### *What not to schedule:*

Most of your business premises contents should not be specifically scheduled. Coverage will respond for full value of lost property on site for fire, storm, smoke, theft, vandalism (terrorism maybe), and the usual perils.

*How insurers handle electronics in 2002*

- Your computers are customarily categorized in a lump under “Computers” with a single total value of coverage. You will be expected to send your insurer a complete inventory of all computer hardware and software at least annually in order to support value as well as to facilitate later claims adjustment.

- Laptops at this time cannot be specifically scheduled. But you should list them on your inventory. Most insurers are now insisting on a \$2,500 laptop deductible; they simply do not want to be insuring these high loss items. Laptops are disappearing with some rapidity.
- Computers in transit are getting harder to insure as theft claims are dramatically on the increase.

### Off-Premises Property

*Your losses may not be covered*

One lesson often learned very painfully is loss of property stored somewhere other than at your office premises. Be sure to keep your insurance broker advised if you move property, or if a client has not taken title to an expensive piece of equipment. These are the types of situations which should trigger your memory to call your insurance agent:

- Warehousing, even temporarily, of any valuable property
- Demo equipment at a client’s site (and you still own it)
- Equipment/property on approval for a lengthy period at a client site
- Property storage at any employee’s home
- Lending or rental of equipment (and you still own it)

Many insurers offer some nominal amount of “unscheduled location” coverage (\$10,000 is customary). Often we are called for large theft or water losses from a location about which we were never advised. That location of loss is then deemed “unscheduled” and only the incidental value of \$10,000 can be collected.

Keep your agent in the loop.

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## *Value Your Insurance Coverage as You Value Your Product*

If your hardware product promises a high level of performance, your Quality Control procedures should guide your loss settlement clauses. If one of your computers falls out of an airplane (they do that a lot, you know), your QC may mandate complete destruction of the product. Your insurer on the other

hand, may put it through some rigorous stress tests and find it to be performing, resulting in what may be a sizable gap in insurance recovery.

If your QC will be taking a hammer to any product sustaining even a bench drop, you should ask your

insurer to honor those standards. "It is hereby agreed and understood between Client and insurer that the following types of losses will be considered 'total losses'....." should be conveyed at the beginning of your policy term.

### *Four Lessons Learned*

1. Keep property inventory lists, especially computer inventory and software licenses, off-site.
2. Be sure all the locations where you have property are listed on your insurance policy.
3. "Schedule" all mobile property for broader territorial coverage.
4. Agree with your insurer about loss valuation as part of your policy terms.

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