

NEWS LETTER

n.p. james insurance agency



September 2004

Unexpected Losses: Beware of these situations!

In this issue we will look at business situations becoming more and more common as technology manufacturers outsource assembly work. Common to you, most likely, but maybe not so common to your insurer for coverage considerations. Have you and your broker created a flow chart of material and finished goods? Is your coverage adequate? Is your rate properly reflecting your risk? How do you know the answers to these questions?

Indirect Income Loss

Problem: A greater risk for "indirect" income loss exists as more Massachusetts manufacturers rely upon assemblers for production of their boards, cabinetry, and parts for finished product. You may have millions of dollars of product moving through assemblers, where you have no control over plant safety or security.

Solution: We take great care to understand the flow of your product from parts through finished goods to your customers. We help you secure adequate on-site and off-site property protection.

Action:

- Review your assembler contracts for capital equipment and inventory loss responsibility
- Ask your insurer to place coverage where needed
- Get updated certificates of insurance from your assemblers' insurer

Shock Loss

Problem: Your outgoing \$75,000 computer is dropped on Logan Airport's tarmac, sustaining visible damage to the cabinet. Fearing hairline cracks in your boards resulting in possible systems failure, you declare a total loss to your insurer. After the insurance adjuster has an engineer test the unit, your insurer offers to settle for the cabinet damage only, \$6,500. A \$68,500 gap!

Solution: We can solve this discrepancy by stating in the policy application that any shock loss is declared a "total loss" by your QC standards. (Pricing will reflect this higher loss agreement.)

Action:

- Review your Quality Control standards with your insurance broker
- Determine the most cost-effective method of risk management and coverage

Shipping Loss

Problem: You always ship F.O.B. your loading dock. But what happens when your customer reports "shipment has arrived damaged — please replace" and — your customer did not place shipping coverage on the incoming goods?

Solution: We can provide for this contingent loss possibility at a fraction of the standard shipping insurance rates.

Action:

- Be sure you have an annual cargo insurance policy in place for any incoming **and** outgoing loss!

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November 18

Nancy James will be speaking at Clark University on a panel devoted to business risks and legal issues.

*more info — email
npjames@npjames.com*

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N.P. James Insurance Agency specializes in technology risks

Clients have relied on Nancy James for over 20 years to help protect them from unexpected losses that range from hardware and software failures to attacks from "shark-infested" cyberspace.

Nancy James distinguishes herself as a technology risk expert among larger general insurance agencies for two reasons:

- *Deep technology product knowledge from her background of more than a dozen years as a computer systems designer.*
- *A reputation as a problem analyst for emerging risk in technology*

A TIME TO WORRY. . . In This Issue

3 common technology conditions you may face

3 areas where your insurance may not cover you

[1. Off-Site Loss 2. Shock Loss 3. Shipping Loss]

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