

# NEWS LETTER

*n.p. james insurance agency*



October 2009

## **Product Liabilities in an Assets-Only Sale**

### *Background*

A mid-size technology parts manufacturer with global sales over \$20,000,000 was planning to sell a division using an “assets only” approach.

### *Problem*

Management was understandably nervous about ongoing liabilities for sold products already in the marketplace. While the company could relatively easily continue to carry a sold division’s name on *ongoing* insurance when operations of the parent company are continuing, the challenge was to put a program in place prior to the sale that would protect the officers and boards once the company had folded.

### *Solution*

N.P.James Insurance Agency recommended securing continuing insurance risk protection for the officers and board. A team including an underwriter was put together to work with the company’s legal representatives to structure a program that would cover past products once the company was sold.

### *Results*

The technology manufacturer moved ahead with the sale after securing a specifically designed and well-defined program to cover the identified risks.

## **Special Policy Needed for Aircraft Applications**

### *Background*

A long-time software developer client with worldwide revenues over \$50,000,000 let us know that aircraft manufacturers are using their product for component analysis.

### *Problem*

Even if that software application never leaves the ground, any products used around aircraft, aerospace, or airports need special attention for associated risks. Any liability associated with aircraft is *excluded* on standard general liability policies. In order for the general liabilities insurer to assume the remaining product risks, they required an aircraft-specific policy.

### *Solution*

N.P.James Insurance Agency identified and recommended a specialty aircraft product liability carrier to assist with placement and pricing.

### *Results*

The software developer acquired the necessary policy at a reasonable price and the GL carrier was satisfied.

## **Securing Coverage for Products Sold Globally**

### *Background*

A large component manufacturer, primarily serving defense contractors, came to N.P.James Insurance to help understand their exposures for travel, shipping, and global liability for internationally exported products.

### *Problem*

We advised the client that while standard domestic property/liability insurance programs offer “worldwide” coverage, they cover *only* suits *first* brought in the U.S. A local foreign court is likely to see an overseas suit first, which would result in a denial of coverage by the U.S. insurer. In addition, the client had not secured global coverage for products, operations, travel, and employee assistance.

### *Solution*

With tighter regulations and sanctions in world trade blocs, blunders in risk protection can be very costly. We researched and recommended a comprehensive global insurance program that mirrors domestic package at a low cost.

### *Results*

The client now has protection for not only its products but also operations, travel, and employee assistance for its international business.

## **The Current Economy and Increased Risk:**

As management looks for ways to cut costs in recessionary times, quality control is an area that can suffer. With lessened QC, product liability risk increases, and, with that, comes increased litigation. Then, ultimately, increased costs for insurance. These are tricky issues to navigate.

We advise our clients to take full advantage of the free services of both their insurance agency and their insurer. Most major carriers offer client-only access to a range of services via their website. Covering matters from human resources to full-blown disaster recovery templates, this type of resource can replace expensive, outsourced service providers for significant savings while reducing risks.

This agency routinely reviews insurance clauses in contracts for our clients, noting what is covered and what is not covered – with recommendations on what we perceive as negotiable as well.

**\*\*\*\*\* IN THIS ISSUE \*\*\* Case Studies \*\*\*\*\***

- “Assets only” entity sales – how this affects ongoing risks
- Aircraft-related product applications and coverage needs
- Global coverage - needed when overseas revenues earned  
and
- Make full use of your agent and insurer in lean times

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***Reminder!!            The Registry of Motor Vehicles no longer mails you***  
***Driver’s License Renewal Applications!!***

***A reminder that Massachusetts considers driving on an expired license as “unlicensed operation” which is an arrestable (criminal) offense. Your car will be impounded; you will have court costs, fines and surcharges. Beware!***

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