

APPAREL INSURANCE NEWS

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Recent Insurance claims we've seen:

- Imported electrical equipment sold to local retailer malfunctions and melts down, causing \$65,000. in fire damage The importer / seller of the equipment is held directly responsible because his foreign source manufacturer does not provide him "additional insured" Vendor coverage.
- Partially vacant building has toilets back-up within vacant units. Due to vacancy, the problem goes unnoticed for more than three weeks until someone notices the odor. \$35,000 loss results to walls, carpets, and improvements. Coverage for "backup of sewers and drains" is a critical issue in this claim. Not every policy covers it.

Your insurance partner, with over 25 years experience.

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SHODDY PACKING MAY RENDER OCEAN CARGO INSURANCE WORTHLESS

Your Ocean Cargo coverage could be worthless if poor shipping procedures create what's known as "insufficient or unsuitable packing". Fashion wholesalers, importers, manufacturers, and retailers need to implement better packaging procedures, and extend their policy wording if they expect to be fully covered by insurance.

The Container ship MSC Napoli suffered severe damage on January 17, 2007 during a violent storm in the English Channel. These photos say it all...



The ship grounded at Branscombe Bay on the UK coast. Surveyors considered goods in 15-20% of the containers aboard the ship to "be unpacked or inadequately packed." This fact has serious

Implications for the typical Ocean Cargo policy, which excludes loss or damage caused by "insufficiency or unsuitability of packing or preparation of the goods."



This typical exclusion in the policy means that insurance carriers may decline liability for damage to your cargo, and / or any of the other costs of recovery, re-stowage, or destruction during the salvage operation.



Apparel companies have been urged to take action in several ways to avoid a potential gap in their insurance programs.

- 1) Examine your method of packing, and provide clear specifications to your contract packers or suppliers.
- 2) Call in the services of an expert marine surveyor to perform a review, and identify weaknesses in your packing.
- 3) Seek to remove the exclusion of insufficiency of packing from your insurance policy. (Our office routinely handles this issue on behalf of clients.)
- 4) Use a packing survey to help negotiate better terms and conditions of insurance.
- 5) Ensure that goods are insured for their true value to your company.

Taking the time to achieve a full understanding of your exposure to loss, and negotiating an increase in insurance coverage is important, and could save your company from taking a hit from an uninsured loss.

For more information, contact our office at 818-996-0900.

WATER DAMAGE — ARE YOU COVERED ?

Water Damage is a common reason for making an insurance claim. Burst pipes, leaky roofs, flooded basements are a few ways you could discover what's exactly covered by your business insurance.

According to Don Griffin of the Property Casualty Insurers Association of America, "Generally, the damage

caused by water will be covered, but whatever causes the damage—say a leaking dishwasher hose—may not be."

The reality is that most water damage claims are not covered. Here are different scenarios, and their insurance results:

ONE: Low temperature causes water pipes to freeze, and burst..

Your property is now "flooded." **MAYBE.** You are covered for water damage from frozen or burst pipes, as long as you take reasonable steps to maintain heat in the building or structure. If that's the not case, your claim may be denied if you failed to perform necessary upkeep that would have prevented the loss.

Seven Different Scenarios - Continued on page 3

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Kulchin Ross Insurance is a multi line insurance brokerage that remains close enough to their clients to deliver a highly personalized service experience.

For Apparel companies, this means the convenience of placing every type of garment related insurance coverage with one office and the satisfaction of having a dedicated Account Manager who will personally oversee your insurance pro-gram. The apparel practice division of Kulchin Ross was founded in 1992 by Bill Kulchin, and has served over 200 apparel manufacturers and distribu-tors.

What do T.J. Maxx, Forever 21, Barnes & Noble, Office Max and Boston Markets all have in common?

These retailers have all been victims of lost data due to hackers. According to the L.A. Times, "more than 40 million debit and credit card account numbers have been stolen from retailers. Fraud is esti-mated in the tens of millions of dollars."

In August 2008, Federal au-thorities cracked the largest case of identify theft in U.S. history. The three-year investi-gation brought home the global nature of the Internet's under-ground economy as agents tracked leads from China to Ukraine and picked up sus-pects in Turkey, Germany, and The United States.

Any business that uses a computer or that has a web-site that stores customer information is vulnerable to a data breach which can result in consumer lawsuits and legal fights with banks who back the credit and debit cards.

California was the first state to enact "security breach notification" laws on July 1, 2003 (SB1386). Many other states have since followed. The definition of data breach in California is very broad.

At Kulchin Ross Insurance Services, we help our clients by offering products that cover online and offline services, hacking, iden-tify theft, and theft of proprie-tary and confidential informa-tion. We also help our clients cover the expense of complying with California's notification law.

For more information about how we can help protect your organization against the many technology exposures, call Bill Kulchin at 818-996-0900.

MARKET PULSE

Shopping Around for

Workers' Compensation?
We make the process EASY.

Kulchin Ross Insurance provides you access to the top carriers in California. With our access to over 350 of the leading insurance carri-ers in the USA, we will de-liver the right program at the right price.

Our advice is that apparel companies should continue to shop with their agent for lowest cost strategies.

We have helped over 200 apparel companies with their business insurance, and we are well positioned to help any business reduce their costs of insurance over the long term. For a free rate quote and analysis, call Bill Kulchin at 818-996-0900.

Apparel companies benefit by many forms of insurance.

Are you covered?

Workers'
Compensation Stock
Inventory General
Liability Employment
Practices Liability
Employee Benefits
Personal Insur- ance
Trademark & C o p y -
right coverage
Trade Credit /
Receivables Equipment
Breakdown Employee
Theft Earthquake & Flood

Here are just a few of our proud associations, and carrier relationships to serve you.

Travelers
Hartford
Golden Eagle—Liberty Mutual
Allied—Nationwide
Lloyds of London
ICW Group
Safeco
ACE
CIBA
Chubb
One Beacon
Berkshire Hathaway
Cypress
Employers Comp Insurance Co.
Republic Indemnity
Praetorian Specialty
Everest National
Zenith
State Compensation Fund

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AUTOMOBILE LAWS FOR DRIVERS

- California drivers may not smoke in the presence of a minor within a vehicle, or else face \$100. fine. (SB 7)
- It is illegal to use or sell a product that impairs your license plate from being read by electronic cameras and other devices. \$146. fine for using such products, \$250 fine for selling one. (AB 801)
- Cell phone use while driving extends to texting. The new no texting law restricts drivers from writing, reading, or sending a text message while driving (\$20. fine).
- Zero Tolerance DUI law. Tougher penalties for drivers on court ordered probation. Immediate notice of suspension and vehicle will be impounded if such drivers show 0.01 percent or higher blood alcohol concentration.

Water Damage at your Business?

What's covered? Seven different scenarios.

(continued from pg 1)

Also, if the building has been vacant longer than 60 days, water damage is typically not covered

TWO: A fixture or appliance suddenly breaks, bursts or leaks, causing water to flood. YES, THIS IS USUALLY COVERED. Sudden and accidental leakage or bursting of plumbing fixtures or appliances is typically covered under a commercial property policy.

THREE: A sewer backs up, and floods your property.

NO, NOT COVERED BY MOST.

Backup of sewers & drains is usually excluded, but may be subject to very low limits, perhaps \$5,000 per loss. Additional coverage limits may be available by special endorsement at very low cost

FOUR: Water seeps in from the ground through the foundation, walls, floors, or basement.

NOT COVERED. Seepage is considered a maintenance problem, and not "sudden and accidental" damage, and is therefore excluded from coverage.

FIVE: During a heavy rain-storm, water leaks through your roof. The roof is damaged, as is your Inventory and Equipment.

MAYBE, BUT PROBABLY NOT COVERED. Again, the leaking roof is considered a maintenance problem, and if you are a tenant, you may have to contact your landlord about maintenance. An exception might occur if the rainstorm, or heavy

objects damage the roof itself and then rainwater follows. However "wind driven rain" as such is generally the exception not the rule. The majority of these types of water damage claims are denied, and property owners and tenants should be watchful about the condition of their roof, and drainage systems. In general, the lack of roof maintenance might result in a liability claim for the property's owner, but that is often a long shot as most leases have hold harmless clauses which favor the landlord.

SIX: A nearby lake, river, pool, or other body of water overflows and surface water flows into your property. NOT COVERED because of the flood exclusion. Flood coverage is readily available at reasonable rates from the Federal Flood Program.

SEVEN: Heavy rains cause a nearby hill to break loose with mudslide and mudflow into your property.

NOT COVERED TYPICALLY. Mudflow and mudslide are typical exclusions.

IF YOU HAVE WATER DAMAGE, at your business, don't panic. Be careful about how you report the claim to your insurers. Never use the word "flood", unless you are sure it's flood by insurance industry definition. By industry standards, a flood is a "general or temporary condition of partial or complete inundation of normally dry land area from overflow of inland or tidal waters, or surface waters from any source." In other words, unless the water came from a lake, river, body of water, or rainwater flowing in from the street, the insurance company won't call it a "flood."

Bottom line, it pays to know what's covered, and then try to accurately report it. If unsure, we recommend calling your agent to discuss first.

Kulchin Ross Insurance Services represents property insurers who cover Flood along with the other normal property perils within the same policy. Apparel companies can benefit by adding the peril of flood to their insurance programs, often at substantially reduced cost compared to separate flood insurance. Call Bill Kulchin at 818-968-1354 for a free review.

FLOODINSURANCEAVAILABLE

Standard flood insurance has a routine 30 day waiting period before coverage takes effect.

Escrow closing is an exception. Don't wait until heavy storms arrive before taking action to insure your property from flood.

How much does it cost? Examples

- 1) Retail store, ground floor \$100,000. limit of coverage for Contents (with \$500. deductible), Cost: \$500.
- 2) Same store, \$500,000. limit of coverage, Cost: \$1,860.
- 3) Apartment Building, ground floor \$100,000. limit of coverage for Contents, and \$250,000. limit for Building. Cost: \$349.

In most insurance programs we have reviewed, the peril of flood is commonly excluded. (It's not covered.) A good rule of thumb is that unless you specifically asked for, and paid a premium for "Flood" coverage, then you probably do not have coverage under your current policy.

For a free Flood Insurance quote, call Bill Kulchin at 818-996-0900