

# THE C & D NEWSLETTER



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## BUSINESS INSURANCE

The recent fires and earthquakes in Southern California have caused many businesses to review their insurance coverage. Failure to carry adequate insurance, or carrying inadequate insurance, can result in an unanticipated loss, or even business failure. This Newsletter shall discuss the types of insurance carried by most businesses.

**GENERAL INSURANCE.** Covers loss due to liability for injury to persons or property caused by accident.

**FIRE INSURANCE.** Covers loss by fire, lightning, windstorm, tornado or earthquake; however, many policies, particularly in California, exclude earthquake coverage unless an additional premium is paid. Fire insurance coverage may be extended to a variety of other perils by an "All Risk" policy.

**EARTHQUAKE INSURANCE.** Covers loss from earthquakes and usually contains a provision for a 10% deductible before coverage begins. The coverage is usually based on replacement cost, which, in today's market, is often significantly higher than market value.

**BOILER & MACHINERY INSURANCE.** Covers loss of property and liability for damage to persons or property from the explosion of, or accident to, boilers, tanks, pipes, pressure vessels, engines, wheels, and electrical machinery.

**SPRINKLER INSURANCE.** Covers loss through damage by water to goods or premises arising from the breakage or leakage of sprinklers.

**PRODUCT LIABILITY INSURANCE.** Protects the business against loss by reason of injury to persons or property caused by the use of the company's products.

**BUSINESS INTERRUPTION INSURANCE.** Covers loss from the inability to conduct business due to specified risks, which may include fire, explosion, accidental damage to equipment, riot and civil commotion, order of civil authority, or the elements. Contingent business income insurance protects dependence on a single manufacturer or customer by protecting against interruption to the insured's business caused by an insured loss at the premises of the manufacturer or consumer.

**CREDIT INSURANCE.** Covers loss by reason of extending credit, and loss from the failure of persons to meet existing or contemplated obligations to the insured. Credit disability insurance provides indemnity for payments due on a transaction while the debtor is disabled; and credit life insurance provides the funds to pay off a specified debt if the debtor dies.

**BUSINESS RECORDS INSURANCE.** Protects against the loss of valuable papers and records.

**ACCOUNTS RECEIVABLE INSURANCE.** Covers loss of sums due from customers because the insured is unable to collect receivables as a result of loss or damage to records.

**DATA PROCESSING INSURANCE.** Covers the cost of duplicating or reconstructing data lost due to a named peril (the standard fire insurance policy covers the cost of a blank tape or disk only.)

**BURGLARY & THEFT INSURANCE.** Covers loss of property due to non-employee theft.

**EMPLOYEE DISHONESTY INSURANCE.** Covers loss of property due to employee dishonesty.

**ERRORS & OMISSIONS INSURANCE.** Protects officers and directors against loss due to any wrongful act committed in their capacity as officers or directors; however, many policies exclude coverage for violations of specified laws.

**WORKERS COMPENSATION INSURANCE.** Covers loss due to injury to employees arising in the course of employment.

It is important for each business to analyze the nature of its business to determine the types of insurance it requires. For example, a manufacturing company will require different types of insurance than a service business; and a large company will require different types of insurance than a small company. When evaluating insurance coverage, it is important to examine not only the types of coverage, but the exclusions from coverage, the amount of coverage, and the amount of any deductible. It is also important to evaluate the financial strength of the insurance carrier. The best coverage is of no value if the insurance carrier is insolvent and unable to pay the claim. Since the nature and scope of a business changes over time, insurance coverage should be periodically reevaluated to determine if it is adequate in light of the size and current business operations of the company.

*This complimentary newsletter is intended to provide general information. Because of the complexities and constant changes in the law, it is important to seek professional advice before acting on any of the matters covered herein.*