

# THE GASTON INSURANCE GROUP



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## Terrorism Insurance Finally Arrives

Events of 9/11 disturbed more than our collective sense of national security. They also disturbed the availability of insurance coverages in many areas of the country, particularly those perceived to have the greatest chance of future terrorist attacks.

If you live in Washington, D.C., New York City, San Francisco, or Chicago, congratulations - maybe. According to plans filed by the Insurance Services Office (ISO) under the Terrorism Risk Insurance Act of 2002, you live in one of the three areas most likely to attract terrorists. And, under ISO's suggested rating plans, you'll be paying the highest price for terrorism coverage. Currently ISO proposes three terrorism rate tiers, subject to review and modification by

state insurance regulators. The preceding cities are in Tier One.

Tier Two sites are Los Angeles, Houston, Boston, Seattle, and Philadelphia. All other parts of the U.S. are in Tier Three. Actual rates from insurance companies might vary considerably. For example, the largest carriers may file their own rate factors independent of the ISO recommendations. Regulators and insurers are also working together to develop specifics on coverage amounts, provisions, and underwriting criteria.

For the latest developments in this evolving process, our risk management professionals are here to help. Contact us for a convenient time to review your situation and needs.



## 'Fairness in Punitive Damages' Decision

Insurers cheered an April 2003 U.S. Supreme Court ruling that reversed a \$145 million punitive damage award against insurer State Farm, saying that the compensatory damages were "excessive and violate fundamental principles of due-process fairness."

The National Association of Mutual Insurance Companies (NAMIC), a trade association, had argued in a court brief that a Utah jury's award of punitive damages was grossly disproportionate to the plaintiffs' actual damages and was based on the insurer's practices outside of Utah. "This decision is about fundamental fairness and a citizen's ability to rely on the law - which is a cor-

nerstone of any civilized society. If people can be punished for their legal behavior, as State Farm was in this case, laws lose their meaning and effectiveness," said NAMIC.

The trade group had argued that when a punitive damage case goes beyond the harm done to a plaintiff to indict an insurer's practices involving policyholders in other states, it essentially becomes a nationwide class action lawsuit without the class and protections afforded to class members and defendants. "We believe this decision will return a measure of fairness to our civil justice system," NAMIC said.

## Leasing Unpopular With Car Manufacturers

Ford Motor Company has decided to stop leasing vehicles in New York State. The reason: State laws in New York (as well as Connecticut and Rhode Island) hold vehicle owners, rather than drivers, financially liable for car accidents. General Motors has also voiced concern about these laws. Leasing companies such as Ford and General Motors are listed as owners on leased cars.

Leasing is popular for business owners nationwide, but is used twice as often in New York due to tax advantages, according to Reuters. One in four car sales in New York is actually a lease transaction. Another key reason for the popularity of leasing: Business owners enjoy the flexibility of replacing their cars or car fleets every few years.

Ford said it would offer new leasing customers a product called a "balloon loan" in New York; these loans function like leases but shift car ownership to the driver.

If you have questions about liability for your business vehicle or fleet, contact our office.

## Business Risk Management Tips

An insurance company recently listed its top strategies for businesses to manage risk and reduce losses. These include:

1. **Complete a comprehensive loss analysis.** Learn from the past and put resources where they're most needed and effective.

2. **Identify the true costs of losses, then translate these costs into sales dollars.** Use this information to allocate resources to help reduce or eliminate losses.

3. **Check** web sites, trade literature, **loss control professionals, and other** resources. Insurance carriers, agents, and trade groups offer potential sources of information and assistance.

4. **Perform a material handling assessment.** Moving materials is typically a "non-value-added" activity that can cause high-severity losses.

5. **Do an ergonomic assessment.** Inefficient movements also are "non-value-added" activities that can cause high-severity losses. Improving

ergonomics can lessen fatigue increase productivity and efficiency.

6. **Implement a strategy for manage change.** Confronting changes in the operation up front can reduce risk management expenditures and prevent losses.

7. **Educate senior staff** on the **fundamentals of risk management** Decision-makers who are knowledgeable about the purpose and benefits of risk management can be a business owner's best allies.

8. Discuss safety issues at **management meetings.**

9. **Review product safety.** Many firms provide safe workplaces, but overlook the safety of their products. Product safety problems can have a significant business impact.

10. Focus **training on reducing specific losses and monitor success.**

Please call us for more risk management ideas targeted for your business. We'd be glad to help. ,

## Is Spam Eating Your Business Dollars?

The spam problem is no joke! E-mail users suffered 6.7 million spam attacks in March 2003. One company estimates that each spam e-mail that hits an employee's inbox costs -\$1 in lost productivity. America Online reports that its users are receiving 1.8 million messages per day from one particular "spammer."

The problem for business? Spam e-mails offering business scams, sexist jokes, and even pornographic images are sitting on business computers, taking up storage space, and using time and resources. Some material included in spam messages is, at best, a waste of time and space and, at worst, illegal to possess.

*DarwinMag.com*, an online business technology magazine, recommends fighting back with an e-mail usage



policy, followed by staff training in e-mail use and etiquette. The training should cover how to recognize and deal with spam and scams. There's also an anti-spam web site that offers help for blocking and filtering spam ([spam.abuse.net / userhelp /](http://spam.abuse.net/userhelp/)).

# Are You an Equal Opportunity Employer?

## What does the Equal Employment Opportunity Commission (EEOC) do?

The EEOC defines its mission as "to promote equal opportunity in employment through administrative and judicial enforcement of the federal civil rights laws and through education and technical assistance."

The EEOC interprets federal employment discrimination laws, which prohibit employment discrimination based on race, color, sex, religion, national origin, age, or disability; and which prohibit retaliation for opposing job discrimination, filing a charge, or participating in proceedings under these laws.

## How do I determine if the equal employment opportunity (EEO) laws cover a business of my size?

All employees, including part-time and temporary workers, are counted for purposes of determining the number of employees in a business, according to

the Equal Employment Opportunity Commission. These laws are:

- Title VII of the Civil Rights Act of 1964, which prohibits discrimination based on race, color, religion, sex, or national origin. Title VII applies to



employers with 15 or more employees.

- The Age Discrimination in Employment Act of 1967 (ADEA), which prohibits age discrimination against individuals who are 40 years of age or older. The ADEA applies to employers with 20 or more employees.

- Title I of the Americans with

Disabilities Act of 1990 (ADA) prohibits employment discrimination against qualified individuals with disabilities. The ADA applies to employers with 15 or more employees.

- The Equal Pay Act of 1963 (EPA) prohibits wage discrimination between men and women in substantially equal jobs within the same establishment. The EPA applies to most employers with one or more employees.

Although the existence of an employment relationship is most easily shown by a person's appearance on the employer's payroll, this alone doesn't necessarily answer the question. Determining whether an employer has enough employees to be covered by these laws is, ultimately, a legal issue.

Call us to find out if your business is meeting EEO standards and if your insurance is protecting you the way it should.

## Seasonal Income Requires Seasoned Insurance

**F**or many retailers it's Christmas. For others it's the summer. Or Mother's Day. Or baseball season.

Is your business income largely dependent on a specific season (or seasons) of the year? If an insured loss to your property caused your business to be closed or severely restricted only during that particular time of year, might it still crush your annual profits beyond hope? Are you certain your business income insurance coverages will be there for you, no matter what the season?

Basic insurance coverage forms that provide income protection are often written on the assumption

that your business' income flow will remain relatively level throughout the policy year. Although this is more than adequate for the typical



business, and coverage amounts can easily be adjusted for slight income variations during the year, the forms don't anticipate wide swings -such

as a retail store that might earn nearly 50% of its annual receipts during the Christmas shopping season. Or the motel that earns nearly all of its income during the summer months. These types of businesses need special modifications and endorsements to make sure their coverage limits are there precisely when they're needed - and in amounts that recognize the level of need at the most exposed times of year.

Now's the perfect season to give us a call to find out how we can change your business income insurance coverage from "one-size-fits-all" to a fit tailored for your needs.

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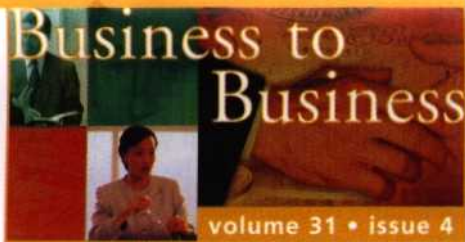
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Leasing Unpopular with Car  
Manufacturers

Business Risk Management Tips

Is Spam Eating Your Business  
Dollars?

Are You an Equal Opportunity  
Employer?

Seasonal Income Requires  
Seasoned Insurance

## Lawsuit Costs

The costs of our country's civil justice system have increased by a factor of 100 since 1950. The societal costs of tort actions now equal a 5% tax on wages in the U.S.

So says Lord Levene, chairman of Lloyd's of London, which helps provide capacity for commercial insurance policies in the United States and around the world. "The U.S. litigation system, if left unchecked, will destroy the American spirit of enterprise and drain the U.S. economy," warned Levene.

"We need to strike a balance so that individuals do have a means of redress and risk-takers have a safety net should things go wrong but aren't dragged into court at the most inconsequential slip," Levene said, urging Congress to find this balance and act against the awarding of excessive damages.

He added that lawsuit abuse "strikes at the very heart of the American spirit for enterprise. We now have a system in which doctors can't deliver babies for fear of being sued and can't afford to pay for the insurance coverage. In such an environment, what hope is there to keep the spirit of risk-taking alive, to fuel the appetite for innovation and creation?" To make sure your liability insurance meets your legal needs, give us a call.

**For more information about your  
business insurance needs or other  
special coverages, fill out this  
form and fax it in. Or give us a  
call today! Ph: 1.914.244.1055**

**Fax: (914) 244-1056**

### Please call me about:

J Insuring improvements and  
betterments

Business interruption coverage

Disaster planning

J My business insurance policy

Employment practices liability  
coverage



My name and phone number:

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E-mail address:

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### Thank you for your referrals.

If you're pleased with us,  
spread the word! We'll be  
happy to give the same great  
service to all of your friends  
and business associates.