

INSURANCE BULLETIN FROM SMW
To Insurance Agents and Other Interested Parties
Hanover BusinessOwner Policies

On December 19, 2008, SMW sent the below e-mail to insurance agents, advising them of a significant change in Hanover's insurance policy for business owners. The change would have reduced the level of coverage of those insured.

As a result of our email, Hanover reviewed the policy changes and agreed to amend the forms so that the reduced coverage levels would not be implemented.

December 19, 2008 Email:

Swerling Milton Winnick recently handled some losses covered by Hanover BusinessOwner policies, and we had the opportunity to compare these policies to the ISO BOP's. There are a couple of major reductions of coverage in the Hanover forms that we believe you should be aware of:

Hanover **Form 391-1003 (02-05)** – Provides both key and ordinary payroll coverage for only 90 days. See page 10 of 68: (c) Business Income means the: (2) including "payroll expenses" but only for the first (90) days of the "period of restoration." "Payroll expense" is defined on Page 47 of 68, refers to **all** payroll expense. The ISO forms cover ordinary payroll for 60 days with no limitation for key payroll.

Hanover Avenues BusinessOwners Declaration Page - Business Income - ACTUAL BUSINESS LOSS SUSTAINED NOT EXCEEDING 3 CONSECUTIVE MONTHS was typed in. ISO forms provide coverage for 12 months.

These reductions in coverage would require the policyholder to pay an extra premium to obtain coverage equal to the ISO forms. Key payroll limitation is a killer; we have never ever seen a key payroll limitation prior to this. It would be criminal for an insured not to have full coverage for key payroll which includes the owner(s). In general, we believe insureds should cover all payroll without limitations.

Furthermore, the 90-day period of Business Income coverage is unjustifiable and should not be part of any insurance program.

If you have any questions about these policy changes and/or would like to schedule a Business Interruption information session, please contact Bruce Swerling at (781) 416-1000 #120 or email him at bruce@swerling.com . Bruce is extremely knowledgeable and his guidance may help you better serve your customers by providing them with the opportunity to purchase the correct coverage.