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## Risk Review

Keeping you informed on *Business Insurance* issues



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### Frozen Pipes: A Preventable Nightmare

As temperatures plummet, pipes can freeze and cause serious problems for business owners. Certain pipes, such as those near exterior walls, and in crawl spaces, basements, attics, and garages, are most susceptible to freezing.

Follow the precautionary tips below to prevent frozen pipes this winter:

- Insulate all exposed pipes in unheated areas, such as crawl spaces and garages. Follow manufacturer's instructions when using heat tape, as improper usage can create a fire hazard. Also, be aware that heat tape can wear out, so be sure to check it frequently.
- Make sure you and all key employees know the location of the master water valve and how to shut off the water in case a pipe should burst.
- Shut off and drain water from pipes leading to outside faucets.
- Winterize outdoor sprinkler systems according to the manufacturer's recommendations. Use a compressor to blow out excess water to prevent frozen pipes.
- Leave cabinet doors open, so more heat can reach pipes under a sink or appliance.

- Make sure heat is left on and set no lower than 55 degrees at all times, even if your business is vacant.
- If you are going away, have someone check your business periodically to ensure that the heat is working properly.
- When weather is extremely cold, leave faucet dripping slightly to circulate water and avoid freezing.
- If a pipe bursts, shut off the water and call a licensed plumber. Quick action can minimize damage.

If you suspect a frozen pipe, call a plumber. Then, turn off the water and leave the faucets on. Never try to thaw a pipe with a torch or other open flame, and never use electrical appliances in areas of standing water, as electric shock is possible.

Damage caused by frozen pipes may be covered by business insurance. It is important to review your policy to know what your policy covers and to ensure that you have adequate coverage. To learn more about protecting your business and your equipment, contact one of our qualified insurance professionals.

### Clearing Winter Walkways

Keeping your walkways clear and ice-free may help avoid injury—not only for yourself and your employees—but also for customers, postal carriers, delivery drivers, and others. Follow these winter walkway tips:

- Begin to clear ice, snow, and other debris from your walkway, driveway, parking lot, overhangs, and gutters as soon as possible after precipitation ends. Clear the entryway wide enough to allow for a wheelchair or stroller.
- Make sure that cleared snow is placed far from walkways and entryways.
- Clear mailboxes and fire hydrants so that they are visible and accessible.
- Use door mats at entryways to avoid tracking snow inside. Be sure the mat's edges are flat and even to avoid tripping.

To help protect those who frequent your business, you may also lay sand to provide traction or rock salt to de-ice your walkways. Remember, your walkways are your responsibility!

# Professional Liability Insurance

Today, claims of “negligence” are filed more frequently than ever before. This is bad news for professionals because the failure to provide reasonable service can be cited in many situations. Negligence may be claimed in conjunction with a mistake, an oversight, or a failure to deliver services in accordance with standards established by peers. In the past, mostly doctors, lawyers, architects, and engineers had to worry about the implications of negligence and protect themselves from potential lawsuits. But times have changed. Today, a broad range of professionals need to think about the financial protection offered by insurance. **Professional liability insurance** (also called **errors and omissions insurance**) may provide a solution.

Disgruntled customers/clients/patients can file a claim against you or your business whether it is legitimate or not. In such situations, it is not uncommon for plaintiffs to sue multiple parties, despite their level of involvement in the particular situation. Legal fees, not to mention lost working hours, can be costly. Professional liability insurance can help cover these losses and expenses, as well as those incurred by judgments or settlements.

Professional liability insurance covers omissions, errors, misleading statements, breaches of duty, and other like claims arising from services rendered. The terms, rates, and conditions of liability insurance vary among issuing companies, policies, professions, and locations. It's very important to thoroughly understand the policy's terms and conditions *before* purchasing insurance, and long before a claim arises. Some key policy issues include the following:

- Are claims filed by governmental or regulatory agencies covered?
- What is classified as a triggering event? Will a written demand, an allegation, or the service of papers constitute the acceptance of a claim?
- Is there compensation for working hours lost to legal proceedings?
- Is there a deductible involved, and how does it relate to legal fees?

While most policies are offered only as claims-made policies, you may be given a choice between two types of coverage. **Occurrence policies** cover an incident

that occurred during the policy period, regardless of when the claim is filed. On the other hand, **claims-made policies** cover claims meeting two conditions: the incident occurred during the policy period and the claim was made during the policy period.

## Claims-Made vs. Occurrence

Claims-made policies provide coverage for incidents that have occurred and for which claims have been made between the policy's inception and expiration dates. Claims that occurred prior to policy issuance may be covered by “**prior acts**” coverage, which is included in some policies. However, even this is restricted by a retroactive date, before which incidents are not covered. Liability limits are determined by the level of coverage at the time the incident occurs. If you cancel a claims-made policy, extended reporting periods (or **tail coverage**) can be purchased to extend the discovery period, during which notice of a covered claim may be filed. Extended discovery periods may be available for anywhere from six months up to seven years. The cost of tail coverage can be high, and consequently, occurrence policies, when available, may be preferable.

Occurrence policies provide coverage for incidents that occur during the policy period, regardless of when they are reported. For example, if you had an occurrence policy in effect from 2006 through 2009 and a claim for an incident occurring in 2008 wasn't filed until 2010, coverage would be provided. This policy would provide coverage indefinitely for any incidents that occurred during dates of coverage. This policy does not require tail coverage because premium rates reflect the ability to report claims indefinitely for events that transpired during coverage dates. Effective liability limits are those that are in place at the time the incident occurs, regardless of when the claim is made.

Unfortunately, we can't always prevent negative situations or predict the reactions of others to our business actions, products, or services. Mistakes can be made just as easily as clients can make false accusations. Therefore, it is up to you to protect yourself and your livelihood. Doing so may just be your best business move to date. One of our qualified insurance professionals would be glad to help you understand the complexities of professional liability insurance.

# For Your Information

## Reasonable Accommodation

The Americans with Disabilities Act (ADA) requires employers with 15 or more employees to provide reasonable accommodation for individuals with disabilities, unless it would cause undue hardship. A reasonable accommodation is any change in the work environment or in the way a job is performed that enables a person with a disability to enjoy equal employment opportunities. To learn more, visit The U.S. Equal Employment Opportunity Commission at [www.eeoc.gov](http://www.eeoc.gov).

## Dealership Financing

The Small Business Administration's Dealer Floor Plan (DFP) Financing Program offers government-guaranteed loans to finance inventory for eligible auto, RV, boat, manufactured home, and other dealerships. The DFP program allows dealers to borrow against retail inventory and acts as a revolving line of credit for a dealer to obtain financing for retail goods. The dealer repays the debt as the inventory is sold and can borrow against the line of credit for new inventory. Learn more at [www.sba.gov](http://www.sba.gov).

## Closing a Business

The Internal Revenue Service (IRS) provides information about Federal taxes for business owners who are closing a business. The owner must file appropriate income tax returns for the year it closes, as well as file all employment tax returns and payroll taxes. The Small Business and Self-Employed Tax Center includes instructions, checklists, and tax forms that apply to changing business structure, declaring bankruptcy, selling a business, terminating a retirement plan, and disposing of property. For more information, visit [www.irs.gov](http://www.irs.gov).