

Message from the Chair

by Jeffery L. Bronaugh, CPCU, CLU, ChFC, CIC



Jeffery L. Bronaugh, CPCU, CLU, ChFC, CIC, is managing director of the Phoenix office of BBVA Compass Insurance and has more than 30 years' experience in the insurance industry. Prior to moving back to Arizona, he was president of Bank of Hawaii Insurance Services in Honolulu, Hawaii. Bronaugh's background includes technical underwriting, design of insurance contracts, risk management, marketing and sales. He also worked in executive management for a major insurance company before joining the brokerage business.

We already have had a very busy year. Our interest group was well represented in Phoenix during the mid-year CPCU Society Leadership Summit, and we accomplished a lot of work. The Risk Management Interest Group team is stronger than ever and has brought a new energy level to various projects.

In particular, plans are well underway for outstanding seminars in Orlando. Once again, many thanks go to the fantastic effort and hard work of **Jerome Trupin, CPCU, CLU, ChFC**. He continues to dedicate many hours in crafting cutting-edge seminars for the Annual Meeting and working in close coordination with colleagues from other interest groups to ensure that the content provides a broad scope of information.

Maureen C. McLendon, CPCU, ARM, CPIW, continues to work on developing our interest group's LinkedIn capabilities. If you have not had a chance to "link-in," please do so at your earliest convenience. This is a great way to be in sync with other professionals.

We would be remiss if we didn't also acknowledge the continued efforts of **Jane M. Damon, CPCU, MBA, CIC, CPIW**, and **Peg M. Jackson, CPCU, DPA**, for their outstanding service in editing and producing our Risk Management Interest Group newsletter.

We would encourage anyone who may have industry expertise to share an article or two with our readers. Please contact either Jane or Peg directly so that they may incorporate your knowledge in our publication. Their contact information is on the back page of this issue.

Finally, we continue to develop our interest group knowledge base and strengthen our team. Please contact anyone currently on the committee if you have an interest in joining the Risk Management Interest Group Committee.

Best wishes for a wonderful summer. See you in Orlando at the Annual Meeting and Seminars, Sept. 25–28! ■

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Co-Editor's Note

by Peg M. Jackson, CPCU, DPA



Peg M. Jackson, CPCU, DPA, is a leading authority on nonprofit risk management, strategic and contingency planning, and Sarbanes-Oxley compliance. She is a principal with Peg Jackson & Associates in San Francisco, Calif., and Alexandria, Va. In her work as an author, lecturer and consultant, she focuses on designing strategies for nonprofits to strengthen their infrastructure and solidify their competitive positioning. Jackson's latest book, entitled *Reputational Risk Management: Four Steps to Safeguarding Your Company's Most Valuable Asset*, will soon be released. She is a member of the CPCU Society's District of Columbia Chapter and a co-editor of the Risk Management Interest Group's newsletter.

Welcome to the summer Risk Management Interest Group (RMIG) newsletter. I'm delighted to have the opportunity to co-edit this publication. Many thanks to **Jeff Bronaugh** and **Jane Damon** for their kind introductions in the last issue.

This edition of the RMIG newsletter features articles from **Christopher J. Boggs, CPCU, ARM, ALCM, LPCS, AAI, APA, CWCA, CRIS; Marsha D. Egan, CPCU, CPIW, PCC; Christopher H. Ketcham, CPCU, Ph.D., CFP®; Jerome Trupin, CPCU, CLU, ChFC**; and me.

Chris Boggs discusses the "Three Commercial Property Endorsements Every Client Should Have," which are Additional Covered Property endorsement (CP 14 10 or state-specific form); Additional Building Property endorsement (CP 14 15); and Joint or Disputed Loss Agreement (CP 12 70).

Jerry Trupin, in his article "Claims-Made Pointers — Full Prior Acts and Continuity of Coverage," discusses the more challenging aspects of claims-made policies, namely, full prior acts and continuity of coverage, as these relate to professional and managerial liability coverage.

Chris Ketcham provides a brief introduction to The Institutes' new enterprise-wide risk management course.

The articles contributed by Marsha Egan and me focus on technology-related risk areas, that is, the e-mail and cyber-risk arenas. Marsha's companion articles, "Business E-mail Culture — Manage It or Watch Your Profits Slide Away" and "Seven Things You Can Do to Make Sure People Read and Understand Your E-mail," discuss the significance of maintaining a healthy e-mail culture within your company.

My article, "Summary of Denver Annual Meeting Cyber Risk Seminar," summarizes the excellent session on

cyber risk that was held during the Denver Annual Meeting and Seminars last August. Many thanks to Jerry Trupin for his skillful coordination of this very popular session — it was standing room only!

Last, but not least, I am including a brief book review on Chris Boggs' latest work, *Property and Casualty Insurance Concepts Simplified — The Ultimate 'How to' Insurance Book for Agents, Brokers, Underwriters and Adjusters*. This book offers some of the most practical and succinct treatments of insurance topics often misunderstood by clients — or worse yet, not even in their realm of consciousness.

Happy summer to everyone! ■

A Book Review on an Excellent Property-Casualty Resource

***Property and Casualty Insurance Concepts Simplified — The Ultimate 'How to' Insurance Book for Agents, Brokers, Underwriters and Adjusters* by Christopher J. Boggs, CPCU, ARM, ALCM, LPCS, AAI, APA, CWCA, CRIS**

Reviewed by Peg M. Jackson, CPCU, DPA

The narrative is substantial, as it contains essential information, charts and graphs that can be easily accessed and shared with clients. Each of the chapters deals with important topics that benefit from author Christopher J. Boggs' clear, concise presentation. For example, in the first chapter, the Twelve Rules for Reading an Insurance Policy introduces critical elements and issues within the context of an insurance contract.

Subsequent chapters address the reasons why a loss might not be covered, what factors are considered in calculating/negotiating commercial insurance premiums, and essential topics relating to the compilation of client insurance portfolios, such as co-insurance. The book can help insurance professionals determine if a client is a risk-taker as well as the nature of insurance gaps that might exist in the client's portfolio.

Other discussions tackle thorny issues related to construction coverages, such as understanding insurance property values and valuations in a manner that adds value to the relationship between an insurance professional and his/her client. The book also addresses personal lines topics such as calculating the amount available to cover a homeowner's property loss.

Property and Casualty Insurance Concepts Simplified is Chris's third and broadest-ranging book. It is currently available and should be on every insurance professional's desk and his or her gift list for clients! ■

Your Risk Management Interest Group Presents ...

Commercial Property Conundrums — An Interactive Case Study Approach

Tuesday, Sept. 28, 2010 • 9:45-11:45 a.m.

This seminar features an interactive discussion of thorny commercial property case studies. Attendees will have an opportunity to identify current commercial property claim issues, understand how to analyze policy wording to resolve questions and form an opinion about the problems. They also will participate in group discussions to explore coverage problems presented by the panelists, summarize their collective opinions and listen to the panel of experienced claim authorities share their views on the cases. **Filed for CE Credits.**

Moderators: **Janet L. Brown, CPCU, J.D.**, Boehm, Brown, Fischer, Harwood, Kelly & Scheihing PA

Presenters: **Joshua Gold, J.D.**, Anderson Kill & Olick PC; **Barbara J. Keefer, CPCU, J.D.**, Schuda & Associates PLLC; **Ernest Martin Jr., J.D.**, Haynes and Boone LLP; **Ginny L. Peterson, CPCU, J.D.**, Kightlinger & Gray LLP

Developed by the Risk Management and Underwriting Interest Groups



CPCU: Your Bridge to the Future

CPCU Society Annual Meeting & Seminars
Sept. 25-28, 2010 • Orlando, Fla.

Three Commercial Property Endorsements Every Client Should Have

by Christopher J. Boggs, CPCU, ARM, ALCM, LPCS, AAI, APA, CWCA, CRIS



Christopher J. Boggs, CPCU, ARM, ALCM, LPCS, AAI, APA, CWCA, CRIS, is the director of education at the Academy of Insurance at Insurance Journal. Boggs has nearly 20 years' experience in insurance and risk management, a background which includes teaching pre-licensing and insurance continuing education courses and writing on coverage and insurance-related issues. His third book, *Property and Casualty Insurance Concepts Simplified — The Ultimate How to Insurance Guide for Agents, Brokers, Underwriters and Adjusters*, was recently published.

Editor's note: This article, the first installment of a three-part series on commercial policy endorsements, was published on July 27, 2009, on MyNewMarkets.com, a searchable and browsable directory of property-casualty insurance markets, powered by *Insurance Journal* and combined with an active community of more than 14,000 members. It is reprinted with the permission of Wells Publishing Inc., *Insurance Journal* and MyNewMarkets.com.

Three key commercial property endorsements are:

- Additional Covered Property endorsement (CP 14 10 or state-specific form).
- Additional Building Property endorsement (CP 14 15).
- Joint or Disputed Loss Agreement (CP 12 70).

Obviously these are not the only commercial property endorsements valuable to a specific insured, but these are three *every* insured should consider.

Additional Covered Property Endorsement

The commercial property policy (CPP) contains a list of "property not covered" within the form itself. Among the list of excluded property exists several property types or real and personal property the insured (and possibly even the agent) may assume is covered by the policy but is not. Examples include building foundations, underground pipes, flues or drains, and fencing. (This is not a complete list of excluded property, just a sample).

Some excluded property can be added back to the list of "covered property" via the Additional Covered Property endorsement. Two broad versions of the form are available from ISO, based on the state in question:

- **The CP 14 10.** This is essentially a blank form allowing the insured to specifically list the property it wishes to remove from the "property not covered" list and include as covered property.
- **ISO State-Specific Endorsements.** Two examples are N.C. (CP 14 11) and Va. (CP 14 12). In forms such as these, several types of real and personal property are taken from the list of "property not covered" within the unendorsed coverage form and

listed on the endorsement. The insured chooses which property it desires to include as "covered property" and indicates that choice by placing an "X" in the box next to that property class.

Any removal of property from the "property not covered" list and its endorsed inclusion on the "covered property" list is, of course, subject to underwriter approval, regardless of which version of the form is used.

Interestingly, some of the *real property* and costs found on the "property not covered" list is often included when the building's replacement cost is calculated, yet excluded at the time of loss. Foundations and the cost of excavations, grading, filling and backfilling are good examples. These values and costs are excluded, but the building cannot be rebuilt unless these activities are done.

A foundation can be severely damaged by certain causes of a loss (especially fire); the cost to tear up, remove and replace the damaged foundation can be expensive. The unendorsed commercial property policy excludes these costs from coverage. And before the new/replacement foundation can be laid, the land must be graded, possibly even requiring some excavation. These costs, too, are excluded in the unendorsed CPP. Using the Additional Covered Property endorsement to cover just these two otherwise excluded expenses make the endorsement a near must-have for insureds responsible for insuring the building. Just remember to include these values/costs in the building value.

Other key real property normally excluded from coverage which can be added back under these endorsements include: exterior fencing, retaining walls, underground pipes, flues or drains, underground tanks, bulkheads, pilings, piers, wharves, docks, bridges, roadways, walks, patios and other paved surfaces.

Some *personal property* also can be moved to the “covered property” list by use of the Additional Covered Property endorsement including: vehicles or self-propelled machines (including watercraft and aircraft) and animals.

Nearly every insured in need of real property coverage should consider this endorsement to extend the definition of “covered property.” Building owners and tenants required to provide building coverage can greatly benefit from this endorsement. Agents should use the list of “property not covered” as a tool to help them manage the client’s insurance risk. Combined, the exclusionary list and the endorsement can be used as a checklist to confirm that all the insured’s exposures have been discovered and discussed.

Additional Building Property

Is a particular piece of insured property considered “building” or “business personal property”? Unless the intent is made clear up front, the answer might be subject to interpretation following a loss. The unique purpose of the Additional Building Property (CP 14 15) endorsement is to specifically cover property that can be considered either real or personal property as “building” to avoid gray areas at the time of loss.

“Permanently installed machinery and equipment” is defined as part of the “building” within the CPP. “Machinery and equipment” is listed also under the definition of “business personal property.” The difference is obviously the term “permanently installed.” However, what constitutes permanent installation? Does it mean bolted to the floor or wall such that removal would cause damage to the building proper? What about equipment that is bolted to “real property” (making it real property by definition) but can be removed easily, leaving no signs of damage after some minor repair?

A few examples might include the following: a pipe organ in a church; semi-permanently installed equipment; chairs and tables bolted to the floor in dental and medical offices; and production machinery simply bolted to a concrete floor to keep it from vibrating out of place. Although not an all-inclusive list, this provides an example of the gray area of “permanently installed.”

Another potentially fuzzy loss is loss to real property improvements and betterments made by the tenant in a leased space. The definition of business personal property extends to include the tenant’s “use interest” in its improvements and betterments; but what about the value of the improvements and betterments if, as is likely the case, the tenant has to pay to replace the improvements and betterments following a loss?

“Completed additions” are included within the CPP’s definition of “building.” This term theoretically encompasses improvements and betterments but not explicitly. Better to specifically endorse the policy to include a tenant’s improvements and betterments as “building” than depend on an interpretation after the loss.

Anytime property can be covered as “building,” the insured should take the opportunity. The reason? The rate is lower for building than for business personal property. Another reason to consider this endorsement is coverage limits. If the insured considers and includes some property under the building limits, yet the insurance carrier considers it business personal property when adjusting the loss, there may be a coinsurance penalty. Of course this problem can be fixed by using blanket limits.

To activate coverage in the Additional Building Property (CP 14 15), the insured lists the building number and the premises number, and describes the

property to be defined as “building.” The endorsement states that the property listed in the schedule is considered part of the “building” coverage and is no longer considered “business personal property.”

Most insureds have property that could be considered either real or personal property. Use this endorsement to remove any question or debate that may arise following a loss.

Joint or Disputed Loss Agreement

Use and discussion of this endorsement is based on the presupposition that the insured has in place equipment breakdown coverage (formerly known as boiler and machinery). Every insured has an equipment breakdown exposure and should buy the protection.

A detailed discussion of equipment breakdown coverage is outside the intended scope of this article; however, it must be noted that equipment breakdown protection fills several cause-of-loss gaps present in the commercial property policy. Examples include: loss to equipment (such as HVAC and telephone equipment) caused by power surge; explosion of steam pipes, boilers, etc.; and other such loss or damage.

When there is a CPP and a separate equipment breakdown policy in place, there is the possibility that one loss can encompass and trigger both coverage forms. With two carriers involved, there is the possibility that any loss payment will be delayed as the carriers attempt to piece together the incident and decide which carrier should pay the bulk of the claim. This is where the Joint or Disputed Loss Agreement comes into play.

The Joint or Disputed Loss Agreement (CP 12 70) simply requires the CPP and equipment breakdown carrier to pay the

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Three Commercial Property Endorsements Every Client Should Have

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insured for the disputed loss as soon as the policy provisions are met (filing of a proof of loss, agreement on the insurable amount of damage, etc.) without holding the insured hostage while the carriers debate the amount of each carrier's liability for the loss. The form requires both carriers to pay half of the disagreed upon loss and then arbitrate between themselves after the insured has been indemnified.

Once the insured has been made whole, the insurance carriers continue their arbitration until two out of three arbitrators agree on the split of liability. The insurer found the most liable must reimburse the other carrier

the difference between the 50 percent already paid and its actual liability, plus liquidated damages. Liquidated damages are developed by multiplying the highest prime rate in effect on the day the agreement is invoked by 1.5. That percentage rate is applied during the period of arbitration ("period of Liquidated Damages").

For the insured to benefit from the provisions of the Joint or Disputed Loss Agreement, **both** the CPP and the equipment breakdown policy must contain this provision — either by endorsement or by inclusion in the form. Commercial package policies

must generally be endorsed, while many equipment breakdown forms include the wording in the policy language. Regardless, both forms must contain this provision. A simple way to avoid the problem is to use a combined commercial property/equipment breakdown policy.

Finishing Up!

The two most important property coverages every insured should purchase may be business income and ordinance or law protection. Beyond those, these three detailed commercial property endorsements should be considered for every insured. ■

Claims-Made Pointers — Full Prior Acts and Continuity of Coverage

by Jerome Trupin, CPCU, CLU, ChFC



Jerome Trupin, CPCU, CLU, ChFC, is a partner in Trupin Insurance Services, located in Briarcliff Manor, N.Y. As an "outsourced risk manager," he provides property-casualty insurance consulting advice to commercial, nonprofit and governmental entities. Trupin regularly writes articles on insurance topics for industry publications and is the co-author of several insurance textbooks. Trupin has been an expert witness in numerous cases. He can be reached at cpcuwest@aol.com.

Claims-made policies are now the dominant policy form for professional and managerial liability policies.¹ Most of us understand the basics of claims-made, but there are facets of these policies that can be puzzlers. Full prior acts coverage and continuity of coverage are two of them.

Full prior acts coverage is keyed to the retro date provision² that's a part of many claims-made policies. Policies that do not have a retro date restriction, or where the retro date is set equal to the entity's inception, are said to have full prior acts coverage. (Incidentally, if you can't get full prior acts coverage, you want the retro date set as far in the past as possible.)

Unfortunately full prior acts coverage is not as broad as it sounds. Claims-made policies almost always exclude claims that have been reported to a prior insurer. One such exclusion reads:

"Arising out of, based upon, or attributable to any wrongful act, fact, circumstance or situation which has been the subject of any

written notice given under any other policy of insurance prior to inception of this policy."

"Arising out of, based upon, or attributable to" is very broad language. It's easy to see how the new insurer would argue that a claim arises out of, is based upon, or is attributable to something that was reported to a prior insurer. The prior insurer, on the other hand, might dispute the connection.

Another gap is created by questions in the applications for claims-made policies. A typical application question for a claims-made policy is as follows: Is any person proposed for coverage aware of any facts or circumstances which he or she has reason to suppose might give rise to a future claim that would fall within the scope of the proposed coverage?

If the insured answers "yes," the insurer will probably exclude any claims related to that incident. If the insured answers "no" and a claim does arise and the insurer feels that a proposed insured did

have knowledge of facts or circumstances that might give rise to such a claim, the insurer may decline coverage.

One insurer includes this wording in its application following the question dealing with knowledge of possible claims:

"It is agreed that if such facts or circumstances exist, whether or not disclosed, any claim or action arising from such facts or circumstances are excluded from this proposed coverage."

Most insureds pay only cursory attention to the questions in an application. Even when the person completing the application is diligent and asks all the other proposed insureds if they have any information, there's plenty of room for something to fall through the cracks. For example, the insureds in one directors and officers liability policy are defined as:

"The named insured (referred to as the ENTITY) and any past, present or future director, officer, trustee, employee, volunteer or member of any duly constituted committee of the ENTITY... ."

That's a huge and changing group of people. Furthermore, the insurer will consider the significance of the knowledge or information with the benefit of 20/20 hindsight. What the insured regarded as an inconsequential occurrence will look very different to the insurance company when the claim comes in.

Another question that poses a potential problem is the one asking about prior or pending liability. One policy contains the following exclusion:

"... based upon, arising from, or in consequence of a written demand, suit, or other proceeding pending, or order, decree or judgment entered for or against any **Insured on or prior to the applicable Pending or Prior Litigation Date as set forth in ... the Declarations of this Coverage Section, or the**

same or any substantially similar fact, circumstance or situation underlying or alleged therein."

To achieve full continuity of coverage, the prior or pending date in the policy declaration or warranty should be the same as the previous policy; it should not be moved forward when a policy is renewed or replaced. An example of a hypothetical problem with prior or pending litigation is as follows:

The insured has had EPLI coverage with Company A for 5 years, expiring on 1/1/10. As of that date, coverage is replaced with Company B. An employee terminated 12/1/09 files an EEOC complaint on 12/15/09, but EEOC does not send matter to Insured until 3/10/10 — received by Insured on 3/13/10. How would coverage apply? (Prior to 3/13/10 insured had no other knowledge of the matter.)³

If the prior or pending litigation date in the new policy is 1/10/10, Company B may well contend that the claim is not covered — the claim was pending on 12/15/09, even though the insured did not know about it. Company A will, of course, say that it does not provide coverage because the claim was not made during the policy period or within the 60-day automatic extended reporting period that its policy provided. (Because the insured replaced coverage, it would be most unlikely that the insured purchased an extended reporting period.)

It is reasonable for the underwriter to ask such questions when the coverage is first purchased. Otherwise, he/she could be granting coverage for occurrences that the insured knows about and fears will produce a claim. Absent this question, the underwriter faces a serious adverse selection risk. However, once the coverage is written, the insured's protection is being unfairly reduced by asking these questions on renewal or by incorporating a later prior or pending litigation date. Continuity of coverage is the way to

eliminate or lessen the risk that the insured will be left without coverage.

If coverage is replaced, the insured or its representative should ask for a continuity date equal to the first date the insured carried the type of coverage involved. Prior and pending claims questions and exclusions should also apply based on the same date as the previous policy. The new insurer will most likely request a copy of the first application for the coverage and state that it will be relying upon the declarations and statements contained in such prior application.

When you request continuity of coverage, you sometimes get the response that the policy provides full prior acts coverage — the inference being that it's the same as continuity of coverage. As you can see, it's not. Full prior acts coverage is good, but so is continuity of coverage. Insureds need both. ■

Endnotes

- (1) Managerial policies include directors and officers, employment practices and fiduciary liability coverages.
- (2) A retro date provision is a distinctive feature of claims-made policies. It adds the requirement that not only must the claim be first made during the policy term (or during any extended reporting period), but the occurrence giving rise to the claim must have occurred after the retro date. For example, Company ABC carries a claims-made employment practices liability policy effective from 1/1/09 through 1/1/10 with a retro date of 1/1/08. On 11/1/09, ABC receives its first notice of a claim by an employee that he was wrongfully terminated on 7/1/07. This claim is not covered by the policy. Even though the claim was first made during the policy period, the occurrence that gives rise to it occurred prior to the retro date.
- (3) Thanks to **Jeff Karcz, RPLU**, of ARC Excess (wholesale brokers specializing in managerial and professional liability coverage), for suggesting this scenario.

Summary of Denver Annual Meeting Cyber Risk Seminar

by Peg M. Jackson, CPCU, DPA

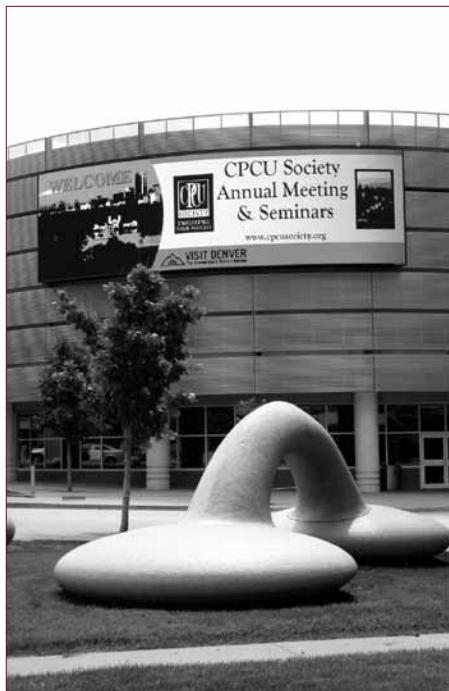
The Changing World of the Internet, Cyber Risk and Insurance" seminar at last year's CPCU Society Annual Meeting and Seminars in Denver featured speakers from Lowenstein Sandler, Arthur J. Gallagher & Co. and Chubb Specialty Insurance.

Businesses of every size, configuration and industry are heavily dependent on their information technology infrastructures as well as the use of Web-based applications such as the Internet, e-mail, websites, instant messaging and the like.

As the use of technology grew to its current level, cyber risk issues emerged. Identity theft, according to the FBI, is the fastest growing white collar crime in the United States. Other cyber risk exposures, such as the loss of laptop computers, rogue employees, hacking and denial of service attacks, have resulted in businesses experiencing a data security breach.

Cindy Tzvi Sonenblick, J.D., of Lowenstein Sandler, described how CGL coverage for cyber-related losses has been chipped away over the years. Cyber risk exposure has grown exponentially, as technology has become a staple of business operations. Coverage for electronic data loss, hardware, software and business interruption related to cyber risks is now found in specialized products.

George Allport, of Chubb Specialty Insurance, discussed methods for identifying and managing cyber risks. Today's cyber risks include website hacking by criminals who steal proprietary information for identity theft, extortion or, in the ongoing case of a computer technician from the San Francisco city government, attempt to hold an entire IT system hostage. Cyber extortion has become one of the most dangerous occurrences in business today.



The CPCU Society's 2009 Annual Meeting and Seminars was held at the Colorado Convention Center.

Adam J. Cottini, of Arthur J. Gallagher & Co., described the structure of cyber risk as the convergence of technology and information risks. More than 85 percent of businesses have experienced a data security breach, with laptops being the most common device for data compromise. Many states are now requiring firms to notify customers if their private data has been compromised.

As the losses related to cyber risk and technology increased, coverage in CGL, E&O and liability policies became more restrictive. As a result, newer policies addressing cyber risk were developed to bridge the gap. Here are some of the new coverages that have been developed to address cyber risks:

- **Network Security Liability** — provides liability coverage if an insured's computer system fails to prevent a security breach or privacy breach.

- **Privacy Liability** — provides liability coverage if an insured fails to protect electronic or nonelectronic information.
- **Data Recovery** — first-party expenses to recover data damaged on an insured's computer system as a result of failure of security.
- **Crisis Management** — first-party expenses to hire a public relations firm.

Some of the challenges that the speakers identified are:

- Lack of encryption in the business's database.
- Failure to recognize that business servers are porous and need constant care.
- Need to be aggressive in applying patches to software.
- Lack of tested back-up processes.
- More data collected than is really needed.
- Data stored for too long and/or not encrypted.
- Failure to take steps to defend against tools that help hackers gain access as well as failure to aggressively manage the business's databases, electronic files, websites and employee practices.

Taking proactive measures to reduce cyber risks is essential as this threat grows. Maintaining security measures, training staff and preparing a crisis response plan are important in mitigating this ever-expanding peril. ■

Business E-Mail Culture — Manage It or Watch Your Profits Slide Away

by Marsha D. Egan, CPCU, CPIW, PCC



Marsha D. Egan, CPCU, CPIW, PCC, is CEO of The Egan Group Inc., an executive coaching firm. An International Coach Federation Certified Coach, Egan brings more than 25 years of corporate and volunteer leadership experience to her individual and organizational clients. A sought-after internationally recognized professional speaker who has appeared on countless television and radio shows and in magazines, her keynote addresses, seminars, teleseminars and webinars energize audiences to change and achieve greater success. Egan was the 1999–2000 president of the CPCU Society.

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Every time you let your e-mail interrupt your productive work, it takes you an average of four minutes to get back on track. If in one day you let 15 e-mails derail you, you've just lost an hour of billable, productive time. Multiply that by every employee, every day, and you can see how office-wide unproductive e-mail use can be an enormous drain on your profits.

Have you ever stopped to examine how your employees use their e-mail? How they manage it, send it and save it? The habits they adopt, both good and bad, can be contagious. Since e-mail touches all of us several times a day, an office e-mail culture evolves quickly.

Here is an example. A boss calls a meeting with three of his department managers. He sends an urgent e-mail, needing a response within 15 minutes. One manager, who is working on an important project, does not have his e-mail on, misses the request and angers his boss.

This manager has just now learned that he cannot turn off his e-mail — ever. But it doesn't stop there; it rolls down the corporate ladder. All three managers now have "permission" to use e-mail as an urgent delivery system. They use it in their departments, and very quickly the entire organization is infected. No one can turn off his or her e-mail for fear of missing something vital. Employees become slaves to the "brinnng" and stop productive work anytime an e-mail comes in.

This is just one example of e-mail misuse that plagues businesses. Think of the practices of copying everyone under the sun, just so you don't miss someone. Or how about

using e-mail as a chat room with multiple recipients to resolve dilemmas? Or the slippery slope of using e-mail to critique someone's performance? One person does it; others do it. Culture is changed.

There are, however, certain practices you can instill in your employees to create a positive e-mail culture. It requires strong leadership and change management efforts, but by following these methods, you and your employees will be able to reclaim more time and improve your bottom line.

- (1) Never use e-mail as an urgent delivery system. If the matter is urgent, pick up the phone or walk down the hall.
- (2) Have everyone turn off "Automatic Send/Receive" and set "Receive Intervals" to a minimum of 90 minutes. If someone is expecting an e-mail, he or she can always hit "Receive Manually."
- (3) Move everything out of your inbox. Your employees can manage their work better by putting e-mails in appropriate folders for easy reference later.
- (4) Make subject lines very specific. By including details in subject lines, you will help others sort and prioritize their work.
- (5) Copy only the people who really need to receive the e-mail. Each superfluous "cc" will have to open and read the e-mail, adding unnecessary tasks to his or her already full day.

For more best practices or information about changing your office's e-mail culture, check out www.eganemailsolutions.com. ■

Seven Things You Can Do to Make Sure People Read and Understand Your E-Mail

by Marsha D. Egan, CPCU, CPIW, PCC

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People complain about the increasing numbers of e-mail messages they receive, how much work it is for them to handle, and how often they are misread and, worse, misinterpreted. And it is true — the number of e-mails being sent is definitely on the increase. The reality is there are quite a number of things that you can do, personally, to assure that your messages are read and understood. Here are a few tips:

- **Keep it short.** Very short. The shorter the e-mail message, the less there is to read, and the more chance the reader will grasp all of your content. I call this “taking the Twitter approach.” Most people skim; don’t give them much to skim.
- **Be very clear.** By making sure that the content of your e-mails is very understandable, you can avoid people e-mailing you with questions. Taking a small amount of time on the front end to read through the message you are about to send can go a long way in avoiding a return question.
- **Place the main point, assignment or request in the first line of the e-mail message.** By putting your main point in the first sentence, you can avoid misinterpretations and get readers focused on exactly what you want, right from the get-go. People have a tendency to build up to a conclusion when they write; at times, this tendency makes it very difficult for readers to figure out what the main issue or request is.
- **Make the subject line detailed.** By including detailed information in the subject line, your recipient will immediately be tuned in to the gist



of your message. Additionally, your recipients will be able to sort and respond with the right priority. The detailed subject line will also help you sort and handle responses because you know exactly what the item entails.

- **Use only one subject per e-mail.** The reality is that most people skim. If you put two requests in one e-mail, there is a strong likelihood that only one of the requests will receive a response. It is more effective to send two e-mails with different subjects than to incorporate two subjects into one e-mail. This practice is also helpful for people who want to file the messages.
- **Place only one name in the subject line, if assigning work.** When multiple names are shown in the subject line, the recipients many times assume that it is the other person who will handle the work. This is a great way to get nothing done. By assigning

one person to the subject line, it is very clear that you are expecting that person to respond. And, by the way, if that person is the wrong person, he or she will tell you very quickly.

- **Avoid controversial or argumentative e-mailing.** When you engage in an emotional discussion via e-mail, the e-mails will fly. And most likely, they will get more heated. Emotional issues should never be handled by e-mail. A phone call or person-to-person handling of the situation is best.

In summary, clarity and brevity are key. E-mail is here to stay. So, the sooner you develop productive habits regarding its use, the better your e-mail messages will be understood the first time, avoiding you extra work. ■

Enterprise-Wide Risk Management — Developing and Implementing a Course

by Christopher H. Ketcham, CPCU, Ph.D., CFP®



Christopher H. Ketcham, CPCU, Ph.D., CFP®, is a senior director of knowledge resources for The Institutes. Currently, he has responsibility for all aspects of producer education and ERM. Ketcham also is a project manager for The Institutes' enterprise risk management (ERM) initiative. He has a master's of business administration in risk management from St. Johns University and a Ph.D. from The University of Texas at Austin. Ketcham may be reached at ketcham@theinstitutes.org.

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- Risk managers.
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- Client executives in brokerage firms.
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- Agents and brokers.
- Commercial lines underwriting professionals. ■



Risk Management Interest Group

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