



# APPAREL INSURANCE NEWS

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## Recent Insurance claims we've seen:

- **“Stolen” Fabric Pattern lands manufacturer in hot water for Copyright & Trademark Infringement.** A major fabric supplier sold unregistered prints to an unwary manufacturer. The prints were used extensively, and finished goods were sold throughout the USA. The print's registered owner (a local fabric mill who we know by name) now claims they are entitled to the profits. The fabric seller lacks financial resources and the manufacturer must continue a legal battle with the registered owner. See page 3 for one approach to this all too common problem.

Your insurance partner, serving industry since 1934

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## HOW TO AVOID FIRE SALES (WHEN IT'S YOUR INVENTORY ON SALE)

**By Robb Greenspan, SPPA**

It's 3 AM and you just hung up the phone from a call by the fire department. You grab your keys and jump into the car to see what happened to your business. Recalling the phone call you are somewhat relieved that a few months ago you renewed your insurance coverage and adjusted your values up from last year. And besides, the fire department said it was a small fire to a store room and the business is okay.....Or is it?

Upon arriving you see and smell smoke. All your goods have a light coating of smoke and soot and some items that were near the fire have a few water stains on them.

This is not good. You will not be able to sell these goods for they are damaged. If you clean them they are no longer new items. You think to yourself, "What will I do?"

The adjuster from your insurance company arrives and reassures you that you will be okay. He agrees with your assessment of the condition of the damaged goods and is willing to "total loss" these items and pay you for them. Upon this payment, the insurance company now owns these items and will pick them up for **salvage**. You feel reassured and begin to focus on rebuilding your business and repairing the damages.

This is where problems can begin if you did not contemplate the full scenario of this arrangement because now your goods with your branding on them are hitting the salvage market. It is a few weeks later and a retailer of yours or perhaps a customer calls and says "your product is on 'sale' at 50 cents on the dollar at a discount store down the street". You cannot fathom this so you visit and see exactly that scenario. The

store owner informs you that she bought this **distressed merchandise** at a salvage sale. Wow, do you have a problem; from customers, vendors and for warranty repairs. Whether the damage is from fire or water staining, the problem is the same.



### **What you can now do to protect your brand name & reputation.**

There is a solution, but you need to address this with your independent insurance agent before a loss occurs. An endorsement called a **Brand and Label** clause can be added to your insurance policy and this clause will allow you to control the process when your goods are taken over by an insurance company (as total loss items) and farmed out to a salvage company to recoup some of their payments to you.

This **Brand and Label** clause will allow you to control the process of salvage. Whether by removing your label or marking your merchandise as distressed, (both are very costly processes which will now be paid for by the insurance company) or by directing what geographic areas or markets these items can be sold into, you now have the right to *control the salvage process* and be paid for the labor costs you incur.

Why do I recommend this endorsement? In my many years of adjusting losses for the policyholder in the garment and other industries, the loss of reputation and market caused by the above scenario is a recurring nightmare for the owners of businesses. Sometimes we are able to negotiate with the insurance carrier to let the policyholder mark the labels after a fire, but as mentioned above it is very time consuming and labor intensive and is not reimbursed by the insurer. Without this endorsement it becomes a cost burden solely on the policyholder. With the **Brand and Label** endorsement your insurance carrier becomes a part of the process and not only must allow you to mark your products or remove the labels completely, but they must also reimburse you for these expenses. You thus avoid the problems with customers seeing your goods sold at discount and if they come back as warranty repairs you can identify them as salvage and take appropriate actions. If your products or goods have name recognition, I would strongly recommend you talk to your broker to see if a brand and label endorsement is right for you to protect your company's name and integrity.

**Robb Greenspan, SPPA** is a senior partner of The Greenspan Company / Adjusters International, a public adjusting firm established in 1946 in Los Angeles. Greenspan / AI is dedicated to representing the policyholder's interest. Robb is a member of the Curriculum Board for the CA Dept of Insurance, and past member of the Insurance Commissioner Consumer Complaint and Unfair Claims Practices Task Force. He holds the Senior Professional Public Adjusters accreditation. Visit [www.greenspan.com](http://www.greenspan.com) for more information.