

# APPAREL INSURANCE NEWS

LICENSE #0704536, SINCE 1985

JANUARY 2009

## INSIDE THIS ISSUE:

<i>Cargo packing causes problem</i>	1
<i>Water Damage</i>	1 & 3
<i>Cyber Liability</i>	2
<i>Automobile Law</i>	3

## Recent Insurance claims we've seen:

- Imported electrical equipment sold to local retailer malfunctions and melts down, causing \$65,000. in fire damage. The importer / seller of the equipment is held directly responsible because his foreign source manufacturer does not provide him "additional insured" Vendor coverage.
- Partially vacant building has toilets back-up within vacant units. Due to vacancy, the problem goes unnoticed for more than three weeks until someone notices the odor. \$35,000 loss results to walls, carpets, and improvements. Coverage for "backup of sewers and drains" is a critical issue in this claim. Not every policy covers it.

Your insurance partner, with over 25 years experience.

**Kulchin Ross Insurance**  
18757 Burbank Blvd. #104  
Tarzana, CA 91356  
818-996-0900 Office  
818-968-1354 Cell

## SHODDY PACKING MAY RENDER OCEAN CARGO INSURANCE WORTHLESS

Your Ocean Cargo coverage could be worthless if poor shipping procedures create what's known as "insufficient or unsuitable packing". Fashion wholesalers, importers, manufacturers, and retailers need to implement better packaging procedures, and extend their policy wording if they expect to be fully covered by insurance.

The Container ship MSC Napoli suffered severe damage on January 17, 2007 during a violent storm in the English Channel. These photos say it all...



The ship grounded at Branscombe Bay on the UK coast. Surveyors considered goods in 15-20% of the containers aboard the ship to "be unpacked or inadequately packed." This fact has serious

Implications for the typical Ocean Cargo policy, which excludes loss or damage caused by "insufficiency or unsuitability of packing or preparation of the goods."



This typical exclusion in the policy means that insurance carriers may decline liability for damage to your cargo, and / or any of the other costs of recovery, re-stowage, or destruction during the salvage operation.



Apparel companies have been urged to take action in several ways to avoid a potential gap in their insurance programs.

- 1) Examine your method of packing, and provide clear specifications to your contract packers or suppliers.
- 2) Call in the services of an expert marine surveyor to perform a review, and identify weaknesses in your packing.
- 3) Seek to remove the exclusion of insufficiency of packing from your insurance policy. (Our office routinely handles this issue on behalf of clients.)
- 4) Use a packing survey to help negotiate better terms and conditions of insurance.
- 5) Ensure that goods are insured for their true value to your company.

Taking the time to achieve a full understanding of your exposure to loss, and negotiating an increase in insurance coverage is important, and could save your company from taking a hit from an uninsured loss.

For more information, contact our office at 818-996-0900.

## WATER DAMAGE—ARE YOU COVERED?

**Water Damage** is a common reason for making an insurance claim. Burst pipes, leaky roofs, flooded basements are a few ways you could discover what's exactly covered by your business insurance.

According to Don Griffin of the Property Casualty Insurers Association of America, "Generally, the damage

caused by water will be covered, but whatever causes the damage—say a leaking dishwasher hose—may not be."

The reality is that most water damage claims are not covered. Here are different scenarios, and their insurance results:

**ONE: Low temperature causes water pipes to freeze, and burst.**

Your property is now "flooded." MAYBE. You are covered for water damage from frozen or burst pipes, as long as you take reasonable steps to maintain heat in the building or structure. If that's the not case, your claim may be denied if you failed to perform necessary upkeep that would have prevented the loss.

**Seven Different Scenarios -**

*Continued on page 3*