

THE REPORT

Commercial Insurance

Volume 1, Issue 3



A NOTE FROM THE PRESIDENT'S DESK

Atlas Commercial Division 2015 Recap and 2016 Outlook



**Joe Zuk, President,
Commercial Division**

AS WE look back at 2015 and embrace 2016, we reflect upon what has been accomplished and what the future may hold. In a world which is seemingly faced with rapid changes along

multiple spectrums socio-economically, politically, and culturally – the world of insurance is also undergoing constant change.

In 2015, we saw ample capacity and strong competition amongst carriers and underwriters – this competition produced pricing pressure across all lines in most territories within the United States.

2015 was also the year of consolidation, with a few significant mergers including ACE Group and Chubb, Mitsui Sumitomo and Amlin, and further consolidation in the distribution and insurance services sector with private equity and stock companies driving M&A activities.

General softening of terms, conditions, and expanding coverage was seen – most

notable was in the Property sector where pricing has been most aggressive.

Casualty and Liability lines have held up longer, but we are seeing the effects of soft reinsurance market pricing and abundant capacity leading to rate decreases in these lines in the high single digits.

Distribution is of paramount importance and what each of these capital and capacity providers is looking for is access to more and varied insurance business.

While operating in a near zero interest rate environment, the hunt for yield remains. An influx of capital and capacity will continue to pressure return expectations, ultimately reducing what was previously considered acceptable return to lower single digits.

So what does this all mean for you, the broker, and what does it mean for your customer?

A noisy market for one, further consolidation, multiple products and generally available capacity for most lines will mitigate any near-future hardening or rate increases.

Coverage, service, and speed will be most important. At Atlas, we continue to work to stay in front of these changes and deliver service and product to meet these challenges.

For 2016, barring any catastrophic

events of significance, we expect much of the same.

Rate pressure will result in flat to single digit decreases for most lines of insurance as new and existing capital is deployed into the Property and Casualty marketplace to compete for business.

The continued focus on data analysis to develop more sophisticated and accurate predictive patterns and trends of losses will continue.

As profitable organic growth is becoming increasingly difficult to achieve, the trend for mergers and acquisitions in the insurance and reinsurance market will continue to drive cost efficiencies, increase product line offerings, provide for a global geographic footprint, and increase market share.

We continue to capture and request as much information and data from our brokers and producers so we can provide innovative and responsive solutions to your clients' needs.

Complete and accurate submissions, applications, and loss information is critical.

See 'Focus' on page 2

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HACKING THREAT

Five Reasons You Need Cyber Liability Coverage

THE HACKING threat is growing with each passing year. There are crooks out to steal data from companies, often to sell personally identifiable data or credit card numbers.

Other criminals try to shut down websites, creating denial-of-service attacks that grind business operations to a halt.

The problem for your business is that if hackers access your employees' social security numbers, they can do serious damage to their credit histories – and in some cases even sell their identities.

In any of the above cases, cyber liability insurance would pay for the costs of responding to an attack. And while you may think cyber insurance is primarily for large companies, cyber-attacks are becoming a new common trend among smaller businesses so it's important that you understand if your business is at risk, and how to protect it.

Here are some reasons you may need a cyber liability policy:

1. It's affordable

Premiums for most small companies are usually \$1,000 to \$2,000, depending on the exposure. You can get coverage as high as \$30 million and deductibles as low as \$10,000, depending on your needs and what you're willing to pay. Cyber liability policies will vary from one to the other. In some cases you can even negotiate some parts of the coverage.

2. Broad coverage

Most policies will pay for business interruption, the cost of notifying customers of a breach, and even the expense of hiring a public relations firm to repair any damage done to your

image as a result of a cyber attack. Policies will also cover any penalties you may incur from government agencies. Having such broad coverage will help you weather the storm and keep your business viable.

3. You likely don't have a risk manager on staff

While most big companies have a department dedicated to reducing risks, most small and mid-sized firms don't have that same luxury.

If you are buying a cyber policy, you can sometimes receive assistance like analysis of your firewalls as well as making sure you have social media policies in place to reduce the chances of being hacked.

4. Outsourcing data hosting won't save you

Even if you don't host your own data, you're still responsible for it. If you are using a cloud storage solution, you need to read the fine print of your contract.

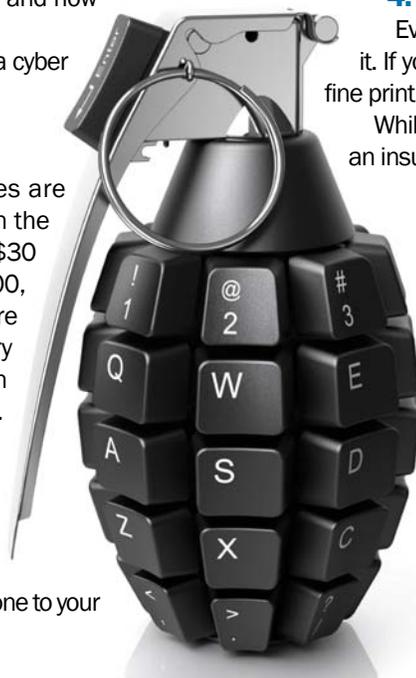
While you can't control how a cloud provider handles your data, an insurance policy can protect you if your cloud provider errs.

5. Your business liability policy won't cover you

A general liability policy specifically excludes losses incurred via the Internet.

The cyber liability policy gives you protection you won't have in other policies.

Make sure your cyber policy covers laptops and mobile devices as well, to give yourself coverage in as many situations as you can.



Speak with your agent to learn more about how Atlas can integrate cyber liability with your general liability insurance and employment liability policy. ❖

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Focus Remains on Providing Best-in-class Products, Solutions

We utilize this data not only to provide a competitive quote and the appropriate coverage options, but to improve pricing and develop future products.

In 2016, we remain focused on providing our partners with best-in-class products and innovative solutions. In the New Year, the Commercial Division is looking to further build upon its product offerings and portfolio. This includes the development of multiple property solutions, including small business and middle market property offerings, as well as the development of more specialized, hard to place liability coverage.

Further expansion of our carrier partners will also take place in the New Year, offering additional markets and increased commissions. With the implementation of new underwriting systems, a front-end broker portal and a significant staff increase in our Knoxville,

Dallas, and San Diego locations, we have the opportunity to provide faster quote turn-around times as well as consistent and responsive underwriting support for any last-minute needs.

As we sign off on 2015, I want to personally thank our brokers and producers for their continued support throughout the year. We are excited to expand and grow with you in 2016 and wish you and your families a prosperous New Year. ❖

Sincerely,
Joe Zuk

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EXCESS LIABILITY

As Risks Rise, You Need a Commercial Umbrella

AS A RESPONSIBLE business owner you no doubt make sure that you are properly insured for any liabilities resulting from damage to other parties.

But, the costs of a large financial settlement could surpass the primary liability limits of your existing insurance policies, leaving your business responsible for the rest of those costs.

And a high-cost accident or lawsuit could potentially put your company out of business.

To avoid any of these scenarios, it's wise to carry a commercial umbrella policy, which will essentially pick up where your primary insurance leaves off – or runs out.

All of your policies have limits. Once those limits have been breached, the other party can sue and go after your firm's assets. Breaching those limits is getting easier due to the increasing prices of vehicles as well as health care costs, should the other party suffer physical injuries.

An umbrella policy will also cover you for liability for which there is no primary insurance, or when a primary policy includes an exclusion

that the umbrella policy doesn't.

Most umbrella insurers require you to purchase primary insurance coverage before selling you an umbrella policy.

For example, general liability insurance, auto liability insurance, workers' compensation or employers liability insurance.

Umbrella policy limits may range from \$1 million to \$10 million and exclusions will vary among different insurers.

Above the umbrella

For firms that have potentially higher liabilities, an excess liability policy can be secured. These policies kick in after the umbrella policy is breached.

Excess liability policies, besides providing more coverage than the umbrella, typically follow the terms of the first underlying insurance policy.

Higher limits may be necessary for businesses with high loss potential, high profile, sizable sales, numerous assets, large auto fleets, worldwide presence, and/or significant public exposure. ❖

Unfurling the Umbrella

An umbrella policy will kick in after limits are breached for:

- Commercial general liability (bodily injury, property damage, personal injury, defense costs and attorney's fees, limited contractual liability)
- Business owner's liability
- Business auto liability
- Employer's liability

DANGEROUS SCENARIOS

- What if a visitor trips and falls at your business, breaking a leg and is unable to work for a few months while recovering?
- What if a customer suspected of stealing later proves their innocence and sues for defamation of character?
- What if one of your employees, driving a company truck, rams into a passenger car and severely injures some of the occupants?



TAILGATE MEETINGS

As Construction Rebounds, Double Down on Safety

AS THE economy regains its footing, employment in the construction industry is surging as pent-up demand means that more homes are being built at a brisk pace. But this new growth in housing has come at a price for those working in the industry: a significant jump in construction workplace deaths and injuries.

In 2014, 874 construction workers died on the job, part of a trend of increasing fatalities since 2011. The five years prior to 2011 were marked by falling construction deaths. A new report suggests that the trend will continue as human resources shortages force construction firms to promote relatively inexperienced workers into supervisory roles. This means construction firms have to double down on safety, and that starts with sound tailgate meetings and buy-in from management.

You can use this handy list of meeting topics to plan your tailgate meeting agenda for the year. This list is by no means exhaustive, but it does cover the major areas that you should refresh your workers on annually.

- **Workplace hazards** – Hazard recognition is a skill that all workers need to stay safe on the worksite. This training should cover common types of hazards found in the construction industry, how to assess their severity and the different control methods employed to prevent incidents from occurring.
- **Managing worksite conditions and equipment** – The dangers vary at each worksite depending on the job as well as the weather. As a result, hazards associated with housekeeping, slips, trips, falls and materials need to be recognized. Training should include general tool safety guidelines including rotating machinery, air, electric and power tools.
- **Fall protection** – Falls are a serious hazard in all construction. This training should focus on basic fall protection equipment used in construction, worker and employer responsibilities for working at heights, and common fall protection inspection points.
- **Ladder and scaffold safety** – Some of the most common tools used on construction sites today include ladders and scaffolds, which pose their own fall hazards. They can also be major sources of injuries due to falls and improper use. Training should focus on the types of ladders and scaffolds that will be used in a job, correct set-up, usage and contraction, along with a description of scaffold tags.
- **Defensive driving** – Whether your employees are driving to work, from work, or operating a piece of equipment on the worksite, it is important to practice safe, defensive driving techniques. Your training should focus on state driving laws, defensive driving techniques and typical causes of motor vehicle accidents.
- **Powered mobile equipment** – Powered mobile equipment is used for many purposes in the construction industry. It is important to operate and work safely near this equipment. Training should cover all of the powered mobile equipment you'll have on the job, how to conduct a pre-job walk around of a machine and how to work safely around the various pieces of equipment.
- **Personal protective equipment** – Although it is your last line of defense in the prevention of injury, personal protective equipment (PPE) is a regular part of the clothing worn on most construction jobs. Training should focus on the role of PPE on the job, basic PPE found in the construction industry, and when specialized PPE is necessary.
- **Excavating and trenching** – Any excavation has the potential to harm workers who are not properly informed of the risks associated with digging and how to prevent dangerous incidents. Training should explain hazards, different soil types and their properties, and important safety precautions that should be part of all digging operations.
- **Personal physical care and conduct** – Working in the construction industry requires substantial physical health and stamina. In this module, ways to care for your body to prevent injuries and the impacts of drugs and alcohol on your ability to work safely should be examined, as well as professional behavior and conduct on the worksite.
- **Hazard communications** – The construction industry uses various chemicals and materials that could be harmful to your health if not handled correctly. Training should focus on the Globally Harmonized System of hazardous materials labeling and the function of Material Safety Data Sheets, so that employees know how to protect themselves from dangerous hazardous materials.
- **Environmental safety** – Protecting the environment is everyone's responsibility. Training should introduce workers to the typical types of pollutants found in the construction industry, what to do in case of an accidental release of hazardous materials and general transportation of dangerous goods requirements.
- **Emergency response** – When an accident does occur, your employees, supervisors and managers should know your emergency response plan. Training should cover key response plan elements, how to access first aid on the worksite, and basic fire-fighting techniques. ❖

