

Bollinger Solutions

HELPING TO MANAGE YOUR INSURANCE PROGRAM

SPRING 2003

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Bollinger
Insurance Since 1876

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The Federal Terrorism Risk Insurance Act of 2002

The Terrorism Risk Insurance Act of 2002 became law on Nov. 26, 2002. It was enacted, in part, to ensure that commercial policyholders have continued widespread availability of insurance for terrorism risk. Here are some questions and answers on the Act as it may affect your insurance program.

Q. What does the Act do?

A. It sets up a federal program that requires insurers to offer insurance coverage for certain acts of foreign terrorism. It also provides a financial backstop for insurers providing such coverage. The backstop program includes a formula by which the federal government shares with insurers any payments for these terrorism losses.

Q. How will the Act affect me?

A. As a commercial policyholder, you can expect to get certain notices required by the Act. If your existing policy excluded terrorism coverage at the time of enactment, the law required that you be notified by Feb. 24, 2003 that the Act invalidated the exclusion. You were told the premium you must pay if you wanted to avoid having the exclusion reinstated. You were given 30 days to pay.

Q. What if my coverage did not exclude terrorism?

A. You should still have received a disclosure notice by Feb. 24, 2003 telling you the premium (if any) charged for insured losses covered by the federal Terrorism Risk Insurance Program, and the federal share of such losses.

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We appreciate your business and loyalty ...

During the continuing "hard market" cycle, many of you have experienced significant premium increases and more stringent underwriting requirements. As your insurance professional, we are here to answer any of your questions or concerns about your insurance program. We will work with you well in advance of your renewal and make every effort to get you the most reasonable renewal terms. In the meantime, continue to upgrade your company's loss control efforts to make sure your business is considered "the best on the street." Safety committees, accident reviews and management commitment are all areas that insurance companies view favorably when reviewing accounts for renewal.

What's new in Employee benefits? Have you ever considered a Self-Insured Health Insurance plan?

As healthcare costs continue to escalate, many small and mid-size employers are considering the switch to a self-insured health insurance plan. While a few years ago, this was only an option for the very largest employers, changes in the health insurance marketplace have now made these products an attractive alternative for many smaller firms. Reasons for their popularity include flexible plan design and cash flow advantages. In addition, due to ERISA pre-emption, sometimes certain state mandates that add to total plan cost can be excluded.

Most smaller employers who put this type of plan in place also purchase "stop loss" insurance as a way to minimize their catastrophic loss exposure. However, in the hardening insurance market, terms must be negotiated carefully, and all aspects of coverage must be fully considered before a plan is put in place.

Consumer Driven Health Plans are another emerging trend among employers seeking longer-term savings on their health care costs. They are often provided under a self-insured health insurance plan and can be designed to help employees

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WE HAVE THE EXPERTS!

Our specialty insurance programs and practice groups are dedicated to giving our clients up-to-date coverage information and products.

Contact the Short Hills office at 800-350-8005, unless otherwise noted

Business Insurance

<i>Affordable Housing</i>	Ingrid Kaminski – NY 800-635-6002, x213
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Golf, Tennis & City Clubs

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Bollinger Executive serves as President of industry group

DAVID MADARA, Executive Vice President, is currently serving a one-year term as president of The Professional Insurance Agents of New Jersey (PIANJ). PIANJ is a trade association representing approximately 1,000 independent insurance agents in New Jersey. It is part of a larger national organization representing agents countrywide. For over a decade, Madara has been an active volunteer working primarily on legislative, regulatory and technical coverage issues on behalf of the insurance industry. He has served on PIANJ's board since 1997. Bollinger's involvement in industry associations like PIANJ assures that we are on top of the latest events and changes that may impact our clients.



Did you know that ...

- Bollinger has branch offices in Princeton, Mt. Laurel and New York City
- We have been in business for over 125 years
- Bollinger employs over 275 people and 40% of them have 10 or more years of service

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Q. Will I have to pay an additional premium?

A. That depends. The Act permits insurers to charge a premium for the share of terrorism exposures that would not be reimbursed by the federal backstop. While the policy that was in effect at enactment remains in force, some insurers are not charging an additional premium, while some insurers are.

Q. What can I expect at renewal?

A. Insurers are required to offer you coverage for terrorism losses (as defined in the Act). Your insurer must offer coverage that does not differ from the terms and amounts of your coverage for losses from other causes. At the time your policy renews (or if you buy a new policy), the insurer is required to disclose the premium (if any) charged for exposures covered by the Act, and the federal share of such losses.

Q. What if I do not want to pay the premium stated in this disclosure?

A. Some companies may not provide the option of rejecting the Act's coverage. Some companies will exclude the coverage if you fail to pay the stated premium. Read all company correspondence to determine payment timeframes, sign-off requirements, and the effect of nonpayment.

Information provided by Professional Insurance Agents (PIA). The questions and answers are general in nature. They are not intended to provide advice about individual legal, business or other questions or to constitute a promise of action by any party. They do not imply a recommendation about any particular course of legal action to be followed. They address selective topics and do not claim to be a complete summary of the Act or any of its provisions. Consult the Act for more details or your attorney for legal advice.



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take a more active role in managing their health-care costs. Recently, these plans were given a boost when the IRS clarified many of the rules governing them.

Regardless of its funding approach, the plan administrator(s), sponsoring company and anyone else making administrative decisions regarding the health insurance plan, face a fiduciary liability exposure. While there are risk management actions a fiduciary can take to help reduce exposures, we recommend fiduciary liability coverage to our clients. It provides defense coverage for ERISA-defined fiduciaries against losses alleging plan mismanagement and breach of fiduciary responsibility. It can also include coverage for some awards. Fiduciary liability coverage differs from a bond (also required by many types of employee benefits plans). Typically, it is not included in a standard commercial package policy but is a separate policy that must be purchased.

It is important to coordinate your employee benefits program with your business insurance plans to make sure you are protected properly for the numerous exposures you face. Since new techniques to manage risk and new ways to reduce health insurance cost frequently become available, it is wise to review your plans periodically to be sure you're getting the best value you can for your premium dollars.



Auto Insurance

Don't get trapped!

As insurance carriers try to reduce the number of NJ auto policies written, maintaining your personal auto coverage and avoiding penalties has become a challenge. Please take note of the following:

- Driver questionnaires must be completed as a condition of being offered renewal coverage. Carriers are aggressively investigating fraud. Answer the questionnaire honestly. It is a legal document that is part of your contract with the insurance company.
- Pay your premiums on time. If the insurance company does not receive your premium prior to the due date, your coverage will be canceled. There are no grace periods and our carriers will no longer allow us to request reinstatement.
- Allow extra time when applying for coverage. For new applicants, including clients changing carriers and sons/daughters buying cars for the first time, there are cov-



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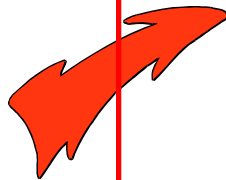


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**Bollinger's Financial Planning Dept.
can offer advice on:**

Cash and debt management

Tax Planning

Retirement planning

Savings and investments

Risk protection

Estate planning

For additional information, visit the Financial Planning section of our web site or give us a call at 1-800-350-8005, ext. 1023.

Bollinger Solutions is published by Bollinger, Inc., the 12th largest privately held independent insurance agency in the United States. This publication is intended for general informational purposes only.

Please contact Bollinger directly to discuss advice specific to your needs.

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