



# Inside Insurance

*Commercial Corner*

## Email Abuse in the Workplace

The vice president of human resources received a call from an employee regarding complaints over email messages. There were complaints that some emails contained sexually-suggestive material unsuitable for an office.

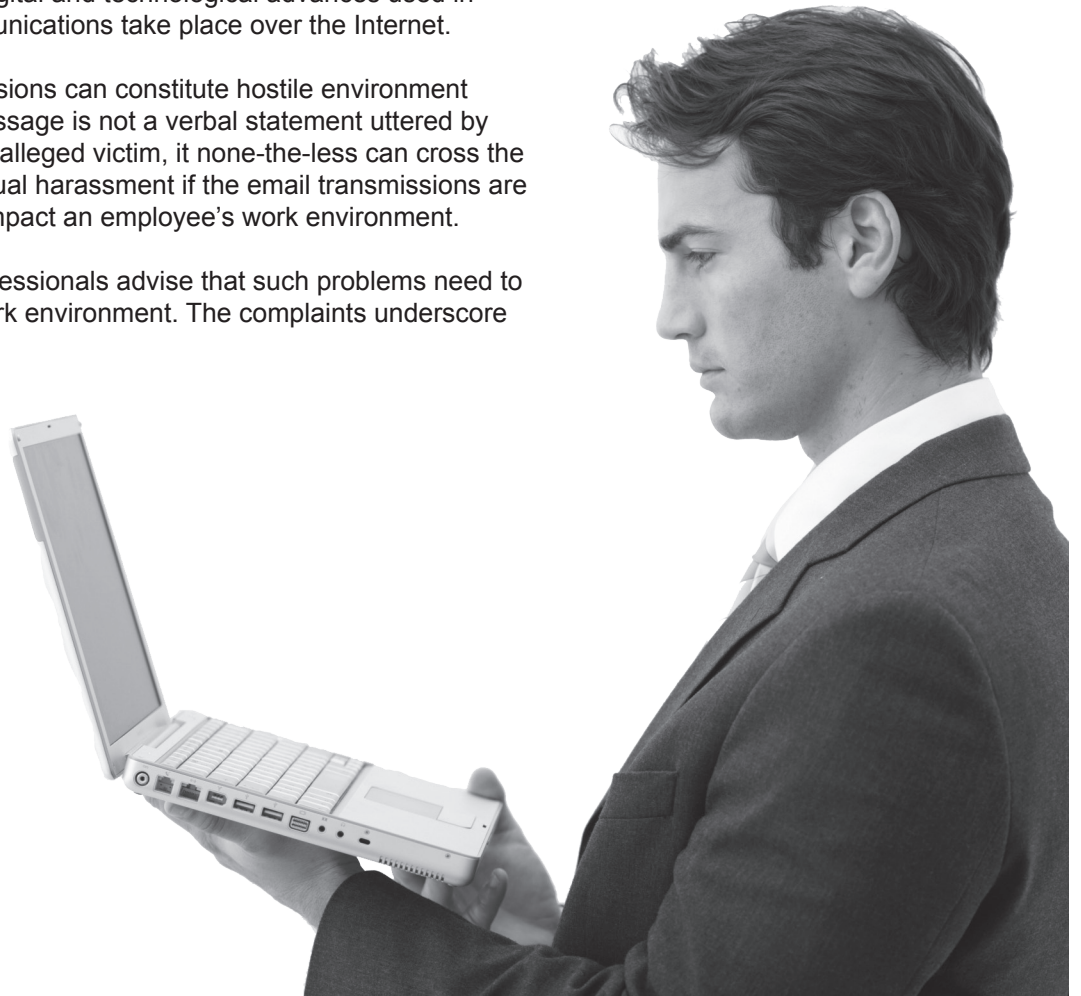
Although the firm had an extensive discrimination/harassment policy and complaint procedure, the increased use of new digital and technological advances used in much of its internal and external communications take place over the Internet.

In some circumstances, email transmissions can constitute hostile environment sexual harassment. While an email message is not a verbal statement uttered by an alleged harasser face-to-face to the alleged victim, it none-the-less can cross the legal line and constitute actionable sexual harassment if the email transmissions are severe and pervasive, and adversely impact an employee's work environment.

Risk management and loss control professionals advise that such problems need to be resolved to promote a respectful work environment. The complaints underscore the problems where digital technology and employment law intersect.

To combat this problem, any company using email should protect itself through a comprehensive information systems policy that not only defines, but sets parameters, on appropriate use of digital technology.

This forms the basis for the company's initial defense. At the very least, strong warnings should be issued to employees using digital technology about the circulation of inappropriate materials. Whenever appropriate, human resources should take immediate action including dismissal.



## Business Income



AbleStock.com/Hemera Technologies/Thinkstock

Calculating the appropriate business income limit does not have to be a mind-numbing process. To understand business income coverage limits, you must simply understand that the coverage is almost entirely based on time. The amount of coverage and the correct coinsurance amount can be calculated once a reasonable estimation of the time necessary to return to full operational capability is determined.

### **Four key objectives must be accomplished as quickly as reasonably possible:**

1. Rebuild the building, or find and move to an alternate permanent location
2. Find, purchase, and have operational, replacement machinery and equipment
3. Replace and/or replenish stock (raw materials for manufacturing operations)
4. Return operations to the same level existing just prior to the loss

### **Business Income's Necessity**

According to the Federal Emergency Management Agency (FEMA), there is a structure fire every 4.5 minutes. Approximately 25 percent of businesses never reopen after a shutdown of just 30 or more days, according to the insurance industry. When you include the number of business failures within five years that are directly traceable to the same kind of claim, the number could approach 40 percent.

Business closings as a result of natural disasters also reach 25 percent. The U.S. Small Business Administration reports that more than 90 percent of small businesses fail within two years after being struck by a disaster. Combining these two pieces of statistical data, losses can lead to the closure of thousands of businesses in any given year due to an interruption in operations.

### **The Calculation**

Once total revenues and the total amount of non-continuing expenses (production-related expenses that do not continue during the interruption) is known and applied to an honest worst-case scenario estimate of the time necessary to resume operations, the correct coinsurance percentage can be calculated. Coinsurance percentages, in 10 percent increments, can be from 50 percent to 100 percent - each representing a proportion of one year (50 percent equals six months; 60 percent equals 7.2 months; 100 percent equals 12 months). It is also sometimes possible to obtain a 15-month business-interruption period at a corresponding coinsurance limit of 125 percent.

### **The Reality**

Most businesses that close and never reopen after a catastrophic closure (30 days or more), don't close because of the lack of building and business personal property coverage. They close because there is no money coming in the door. Few businesses can remain viable without a source of income. Many business expenses continue even during the period of temporary closing.

Obviously, the optimal goal is to have the building, contents and business income all properly insured. Ultimately, only the business can provide these figures, but this simple approach can make this exercise much easier. Once you accept the reality that loss of income is as important to insure as insuring your property, we can help guide you to the proper coverage to further protect your business.