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## Basic Coverages for Resellers and Manufacturers

### What Non-Cargo Insurance Coverages Do I Need?

Answer: There are two ways to tackle this question:

- (1) a product driven (standard policies) approach;
- (2) a risk management approach.

Initial insurance buying decisions are usually product driven and are triggered by demands from landlords, banks and equipment leasing companies for liability insurance. As soon as you gain familiarity with the basic insurance products, it is best to adopt the risk management approach. This allows you to identify what your exposures to risk are and to decide what role insurance and other mechanisms can play in:

- Retaining risk
- Eliminating or avoiding risk
- Reducing risk
- Transferring your risk.



The risk management approach helps you minimize the amount you spend on traditional insurance.

Typically, you will begin with up to four policies to deal with risks that are not economical or practical to retain:



1. Property Insurance, with special attention to:

Property on your premises

Property in transit (incoming or outgoing)

Property off your premises (example: lap tops, projectors, trade show exhibits)

Tangible Property (desks, hardware, phone systems)

"Intangible" property (especially software and products in digital form)

Property losses that are not caused by physical damage--extortion, theft of your trade secrets, infringement on your patents, trademarks and copyrights.

2. Commercial General Liability Insurance, with special attention to:

Products Liability/Completed Operations coverages

Personal Injury and Advertising Injury coverage

Employee Benefits Liability (this should not be confused with Employment Practices Liability--see below)

Policy territory--preferably worldwide, just like the internet.



3. Automobile Liability



Whether or not you have a company vehicle that requires familiar coverages such as liability, comprehensive and collision, you need liability coverage for your firm for employees driving their own vehicles, and for incidental short-term rental of vehicles. The cost is minimal and protects your firm after the employee's personal automobile limits are exhausted.

4. Workers Compensation



Employees can be injured both in the office and while out on company business. Workers Compensation provides the coverage defined and required in Workers Compensation laws regarding medical payments and lost time payments for injured employees. Employers without Workers Compensation can find themselves in very difficult legal positions after an employee reports an on the job injury, real or alleged.

Although not part of Workers Compensation, you can purchase policies to provide Travel Accident insurance for employees who travel extensively and Kidnap and Ransom insurance for employees who travel in difficult areas.

You should also carefully consider the following areas and make an informed decision to retain these risks or transfer them to an insurance carrier.

5. Employment Practices Liability ("EPL")



Many technology workers are well-educated, articulate and driven. Disagreements over remuneration plans, promotions, job assignments, internal restructuring, etc. can easily lead to allegations of discrimination, harassment and other defects in your human resources practices. There are a variety of Employment Practices Liability forms available for your consideration and purchase.

6. Loss of Income



Generally considered a form of property insurance, this coverage protects you for loss of income arising from damages to your premises.

## 7. Crime/Employee Dishonesty



Careful attention to the exact wording of the various crime policies on the market is important. At a minimum, you will want coverage for theft of money, merchandise or services belonging to you or to your clients, by employees, including use of a computer, including misuse of credit cards or other means, whether they are on your premises or not. If you have independent contractors or leased employees, you want to be sure your crime policy wording includes for coverage for them that is the same as for employees.

If there is a significant danger of theft of clients' credit card, customer and other proprietary information, you need to consider purchase of specialty coverages.



## 8. Professional Liability

Electronic resellers need protection against claims involving the inadvertent selling of counterfeit product and the inadvertent provision of the wrong product whether or not bodily injury or property damage results. This cover is especially needed for situations where products liability does not provide coverage. We have not yet located a market willing to provide adequate coverage in this area.



## 9. Directors and Officers Coverage

Directors and officers make decisions and set, monitor and implement a wide variety of corporate policies that impact their firm's stockholders, vendors, clients, employees and the public at large. Consequently they are subject to a substantial risk of personal liability for the costs of settlements, judgments and defense associated with lawsuits and other legal proceedings brought against them. Directors and Officers policies can transfer a significant portion of this risk to an insurance carrier.

The drivers behind purchasing this coverage are usually outside investors, outside directors and imminent plans to IPO. Even without these factors, you should still investigate purchase of this coverage. Currently, about a dozen firms write this coverage for privately-held firms. We market to them all, ask for appropriate additional coverages and provide you with a detailed comparison of the resulting offers for evaluation.

You can include Employment Practices Liability on a Directors and Officers policy. This should not be considered an automatic decision because it can cause certain difficulties regarding adequacy of limits. Under certain circumstances, especially under older forms, all available limits could go to EPL actions leaving nothing for the directors and officers.

## 10. Umbrella Coverage



An umbrella policy will provide higher limits of liability over your Workers Compensation Employer's Liability, Commercial General Liability, and Automobile Liability policies. Sometimes you can arrange to have it cover over a professional liability policy (otherwise, excess limits are available separately for such policies). Umbrella coverage for reseller companies is usually very inexpensive.

## What Can It Cost Me If I'm Not Covered?

- Peace of Mind



- My Customers



- My Business



**Disclaimer:** This summary is not exhaustive. You should design your insurance and risk management program in consultation with a qualified insurance broker and your attorney.