

Your Business

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Flood insurance is changing

The Federal Emergency Management Agency, which administers the National Flood Insurance Program, introduced a new methodology to determine flood insurance premiums (Risk Rating 2.0), that applies to flood policies—including commercial policies—purchased or renewed on or after April 1, 2022.

Previously, these premiums were determined based on flood maps. All areas can flood, and flood maps determined which ones were at higher risk of flooding. They showed an area's flood zone, floodplain boundaries, and base flood elevation. Areas with a low- to moderate-risk of flooding were placed in Zones B, C, X or D; high-risks areas were placed in A or V. Typically, owners of a commercial property located in an A or V zone paid more in flood premiums. This methodology ignored the underlying value of the commercial property, as well as the individual flood risk.

According to the previous flood maps, there are more than 477,000 properties that have greater than a 26% chance of being severely affected by flooding over 30 years in New Jersey.

While the older flood maps present a good scope of the possibility of flooding

and still will be used by lenders to require coverage, the new pricing model utilizes existing mapping data, NFIP policy and claims data, as well as data sourced from other government entities to better ensure that businesses pay their fair share of flood insurance premium. In addition, structural and replacement cost data and catastrophe flood models developed by third parties are incorporated into an assessment. The methodology includes variables such as: flood types, proximity from a flooding source, frequency of flood, elevation, and the cost to rebuild a property.

While the methodology has changed, the coverage has not. Businesses still are eligible for up to \$500,000 in coverage for the building and \$500,000 for building contents. The two coverages are purchased separately with separate deductibles. Building property coverage covers damage to the building and its systems (e.g., damage to the walls, floors, electrical systems; and heating, ventilation, and air conditioning systems). Contents coverage protects everything inside the building (e.g., furniture, inventory, machinery or equipment).



Flexible work schedules change businesses' cyber security landscape

74% of
U.S. COMPANIES
either are using or
plan to implement
a **permanent
hybrid-work
model**

During the pandemic,
the **NUMBER OF
CYBERATTACKS**
has risen to
35%

For most
companies,
it takes
2 to 4 weeks
to recover
from a
ransomware attack



When business operations are all under one roof, a business's cybersecurity looks one way. Generally, those who access a business's information systems are in the same office and they use company equipment, which can limit the number of individuals who have remote access to a business's systems.

However, now a business's operations can take place not only in the office, but in the homes of each remote worker. Employees need to access a business's information system from outside of the office, using equipment that may be their own. This changes the cyber risk profile for the business. Each of those remote connections is an opportunity for a cybercriminal to breach a business's cybersecurity.

A business needs to develop and implement a cyber security plan that matches its current working environment. The plan should be designed to protect its information system and the data on it.

While each business is unique, certain precautions should be taken by all business owners.

First, multifactor authentication is a critical measure to protect a business's information system in a remote

world. MFA authenticates users on an information system by requiring them to go through multiple steps to access that information system. Commonly, this is accomplished through a combination of a username and password, followed by users proving their identity again through a notification sent to their mobile device or by inputting an additional code.

Second, each business should provide employees with cyber security training. Employee negligence leads to an overwhelming number of cyberincidents each year. Education that helps employees spot scams, such as phishing, is vital to prevent a security issue.

Third, there is cyber liability coverage that you can purchase to protect your business. This type of insurance is intended to respond to the expenses of a cyberattack or ransomware, including customer notification, credit monitoring, legal fees and fines, reputational rehabilitation, fraudulent bank transfers, and third-party lawsuits. Remember: Not all cyber liability policies offer the same coverage, we can help you find the best policy for your business's needs.

Directors & officers have distinctive protection needs



While individuals of a nonprofit organization's volunteer board of directors can be held personally responsible for their wrongful acts, they do have some protections against lawsuits. Generally, a nonprofit will provide compensation for harm or loss to its directors and officers, subject to state law.

Immunity. By law, nonprofit volunteers will not be personally liable for harm if they acted within the scope of their volunteer responsibilities, they were licensed properly, certified or authorized for the activity, which caused the harm (if required or appropriate), and they did not cause harm: 1. by the willful or criminal misconduct, or gross negligence, etc.; or 2. while operating a vehicle for which they were licensed and had the proper insurance. However, if a volunteer commits a crime, this immunity will be forfeited.

Personal insurance. Volunteers' personal auto, homeowners and umbrella policies can offer some protection. The auto policy will respond to accidents during volunteer activities. The typical homeowners liability and umbrella coverages will respond to bodily injury and property damage suits. If personal injury coverage is added, there may be protection for suits involving offenses like libel, slander, and invasion of privacy. [NOTE: The definition of personal liability would have to be amended to include personal injury perils (e.g., libel and slander) in the homeowners policy.] However, there is no personal coverage for wrongful-acts claims—additional coverage is needed.

Nonprofit insurance. The nonprofit corporation should have general liability insurance because most personal policies exclude coverage for business activities.

A nonprofit D&O policy would:

- pay directors and officers for losses that are not indemnified by the corporation,
- reimburse the corporation for the indemnification of its directors and officers, and
- reimburse the corporation for loss arising from its own direct liability.

The law does not protect a corporation from legal liability and the volunteers may have to establish their immunity by means of legal defense.

Since most lawsuits against nonprofit corporations involve employment matters, the purchase of employment practices liability coverage is essential. This should include third-party coverage for sexual harassment and discrimination against others by acts of volunteers and staff.



Seasonal businesses

Do you have a business that operates at certain times of the year? Or do you have a business that earns a significant amount of its annual income at a certain time of the year? If your business is seasonal, you have unique insurance needs that go beyond the protections of standard business insurance. Consider insurance that will protect your business:

1. **Special events.** If you host one-off events (e.g., a summer concert), you need insurance if your event is canceled. This policy will help you refund tickets, pay for venues, and replace the income the event would have generated. Additionally, you may want a business interruption coverage
2. **Pop-up shops.** If you rent space from other businesses temporarily (e.g., Halloween costume shops), seasonal insurance will protect your inventory, and may offer liability if someone is injured on the property.
3. **Unexpected event losses.** If your seasonal business submits a weather-related claim, and needs to shut down to make repairs, some policies offer income replacement coverage for covered losses.
4. **Losses from a weaker-than-expected season.** A seasonal business insurance

policy with no waiting period, which can help you make up lost profits.

policy can protect a seasonal business by making up the difference in sales if it has a particularly slow season (e.g., a ski lodge during a warm winter).

It's important to note that seasonal insurance cannot be suspended. If you decide to cancel the policy and restart it later, an insurance company may consider a business with gaps in this coverage to be a greater risk, which may affect your insurance premiums.

If you have a seasonal business, or are thinking of starting one, give us a call. We can help you find the right coverage for your needs.



News from our agency

Make sure you're covered

If you run your own business, you need to protect it. It may be a no-brainer to purchase a sexual harassment policy or a flood policy. But what about the lesser-known risks?

Have you considered how remote- or hybrid-work employees could affect your business's insurance? Do you have a policy about inviting pets into the office? If you're not sure how your insurance policies would respond to different types of claims, give us a call. We want to help make sure that you—and your business—are protected.