

Open Question

Make sure you know when coverages really need to start
By Ellen McCarthy

The diehard fans among us are bound to be familiar with the old baseball saying, “life begins on opening day.”

Those same fans also surely know that, like many such popular aphorisms, this one is dead wrong.

Well before the first pitch of the season in blustery April, the team has spent months building out the roster, hosting spring training and getting the stadium and field back in shape for opening day—which is really the culmination of considerable labor, not its beginning.

In this respect, America’s favorite pastime provides a valuable teaching moment for insurance professionals.

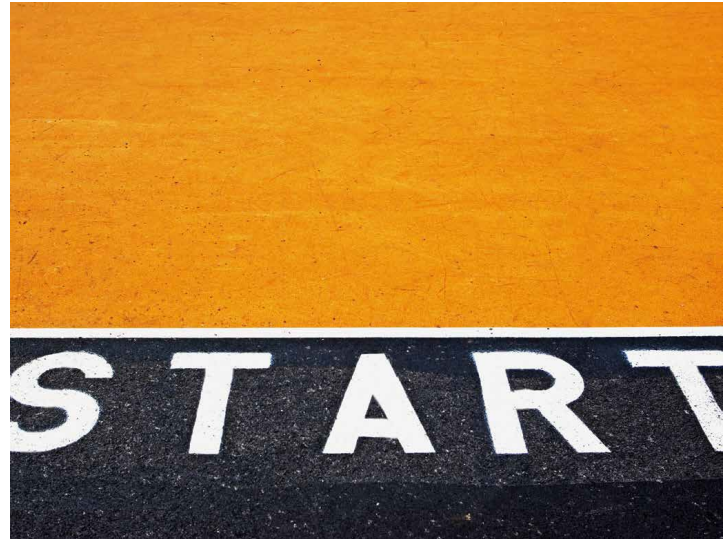
Imagine that John Customer comes into your agency in January seeking coverage for a new restaurant he plans to debut in Wrigleyville at the start of the new Chicago Cubs season. He asks you to obtain liability, property, auto and workers compensation insurance and tells you the restaurant will open to the public on April 11. Without further discussion, you procure all requested coverages with an effective date of April 11.

On March 20, John calls to tell you the restaurant had a soft opening for family and friends the previous night. Unfortunately, one of the chefs accidentally chopped off two fingers while preparing the house specialty, and John wants you to file a workers compensation claim.

Taken aback, you tell him the coverages won’t take effect until April 11, the day he told you the restaurant would open. John is incredulous: “Surely you must have known there would be pre-work for the restaurant, including the hiring and training of staff.” He also points out that you never asked him when coverage was to incept and had not yet provided him with copies of his policies.

The next call you make better be to your E&O carrier.

Although the above scenario is fictitious, it’s not unlike a number of claims Swiss Re Corporate Solutions has received against insured agents who write coverage for new businesses and startups. At the time of the initial meeting with a customer, you must discuss not only necessary coverages but also when they need to be effective. Many new businesses hire employees long before the day the doors officially open. Those



employees could be out delivering flyers, meeting with suppliers and stocking the shelves—all activities that could lead to workers comp situations, or worse, automobile and liability exposures.

Understanding the business model and the projected timeline of events is essential to ensuring the proper coverage is in place, as is securing the customer's written signoff on the policy effective dates. This could all go a long way in helping prevent a misunderstanding about when coverage begins.

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