

Your Company  
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# Coverage Gaps, Deficiencies & Suggestions Report

Today's Date

ABC Enterprises  
311 West 36th Street  
Kearney, NE 68847

Authored By: International Risk Management Institute, Inc. (IRMI)



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## Preface

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We are pleased to present the results of our Insurance Gap Analysis, which has revealed significant coverage gaps in your current insurance program. We estimate that these deficiencies expose you to potential uncovered losses exceeding **\$5,555,000.00**. Obviously, the inability to recover insurance proceeds for such losses could prove devastating to your business. This Insurance Gap Analysis is based on the risks uncovered via the answers you gave to the Risk Questionnaire. These risks were then compared to the coverage provided in the insurance policies that you provided to us (listed in the appendix below). If we were not provided with complete copies of all the policies or if there are additional policies that we were not provided at all, some of the gaps we identified may not actually exist.

For many of the coverage gaps we identify, we provide an estimate of the amount of uninsured loss that might occur. We try to be conservative in developing these estimates, and it is important that you understand that they are only our best guess as to the exposure you are retaining due to the gap to which it relates. Actual losses could be much more or much less than we have estimated.

In preparing this Insurance Gap Analysis, we used a tool called “The Gapper,” which is a product of International Risk Management Institute, Inc. (IRMI).<sup>\*</sup> Using this tool enables us to follow a thorough review process designed to uncover some of the most common and most dangerous property and casualty insurance coverage gaps. While the survey process is thorough, it is not designed to identify uninsurable risks or even every possible insurable risk that your organization may face. It also focuses only on property and liability insurance (i.e., not life, health, or benefits insurance). If you have any unusual activities that come to mind and that were not covered by the survey, we’re eager to review them with you.

While we expect that most of the gaps identified herein can be closed by improving your insurance program, some of these coverage enhancements may not be available in the marketplace, and there will be additional costs to make the enhancements that we can implement. The next step in this process is for you to allow us to approach the marketplace on your behalf to seek quotes for the improved insurance program we are recommending.

Please understand that summaries of coverage such as we have provided in this report are only intended to be a guide. In all cases, the terms, conditions, limitations, and exclusions of the actual insurance policy will govern the applicability of coverage. The following pages present our findings and provide explanations of the coverage gaps we discovered. We look forward to reviewing this with you in detail and to answering any questions you may have.

Sincerely,

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<sup>\*</sup>IRMI is a respected risk and insurance research, publishing, and educational organization that does not sell or underwrite insurance and has no vested interest in selling insurance to you or anyone else. Thus, “The Gapper” provides an unbiased framework for insurance policy reviews.

## Policies Reviewed

This Insurance Gap Analysis is based on the risks uncovered via the answers you gave to the Risk Survey Questionnaire. These risks were then compared to the coverage provided in the insurance policies that you provided to us (listed below). If we were not provided with complete copies of all the policies or if there are additional policies that we were not provided at all, some of the gaps we identified may not actually exist.

Coverage	Insurer	Policy #	Inception Date	Expiration Date	AM Best Rating
General Liability	Chubb	151233214	4/2/2014	4/2/2015	A++
Property	Chubb	8546255	4/2/2014	4/2/2015	A++
Commercial Automobile	AIG	854552111	4/2/2014	4/2/2015	A++
Workers Compensation	Fireman fund	456545641	4/2/2014	4/2/2015	A
E&O/Professional Liability	AIG	54656446464	4/2/2014	4/2/2015	A++
Umbrella/Excess	AIG	5641131321	4/2/2014	4/2/2015	A++

# Client Information

ABC Enterprises  
311 West 36th Street  
Kearney, NE 68847

## General Items

Review Lease Requirements	Gap	\$0.00
Insurance coverage must be maintained in compliance with lease agreements. The following lease agreement should be reviewed to ensure coverage is in compliance with the lease: ABC Enterprises Rental Agreement.		
Section Subtotal		\$0.00

## Property

**Location: 311 West 36th Street, Kearney, NE United States**

### Building

Select Replacement Cost Coverage for Your Building	Gap	\$30,000.00
Building coverage is on an actual cash value (ACV) form. It is recommended the superior replacement cost form be implemented. At the time of loss, ACV reduces payment in the value of your building by deducting estimated depreciation. Replacement cost pays the full replacement value without deduction for depreciation.		
Secure an Agreed Amount Clause on Your Building	Gap	\$10,000.00
Your building coverage does not include an agreed amount/agreed value clause, which removes the potential for a coinsurance penalty. We recommend you secure an agreed amount clause.		
Select All Risks Coverage for Your Building	Gap	\$0.00
Your building is insured on a named perils insurance form, which covers only the specifically listed perils. A superior approach is to use an open perils, also called "all risk," form that insures all perils except those specifically excluded. We recommend moving to this type of form.		
Consider Ordinance or Law Coverage	Gap	\$15,000.00
Building ordinance or law coverage is not provided. This pays for extra costs to repair or rebuild in accordance with municipal ordinances or codes. An assessment of these potential additional costs should be determined and ordinance or law coverage added.		
Properly Insure Your Vacant Building(s)	Gap	\$55,000.00
You have one or more owned vacant buildings that are inadequately insured. If the building has been vacant for more than 60 days, there is no coverage for losses from perils such as vandalism, sprinkler leakage in certain circumstances, building glass breakage, water damage, theft, and attempted theft. In addition, recovery for loss		

from other causes is reduced by 15 percent. The vacancy permit endorsement which waives the vacancy clause for a specific time period should be added to your policy.

<b>Section Subtotal</b>	<b>\$110,000.00</b>
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***Personal Property***

<b>Select Replacement Cost Coverage for Your Personal Property</b>	<b>Gap</b>	<b>\$45,000.00</b>
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Personal property coverage is written on an actual cash value (ACV) form. It is recommended the superior replacement cost form be implemented. ACV reduces a loss payment by deducting physical depreciation. Replacement cost coverage, on the other hand, would provide coverage on the basis of full replacement value without deduction for depreciation.

<b>Select All Risks Coverage for Your Personal Property</b>	<b>Gap</b>	<b>\$0.00</b>
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This form specifically lists by name the perils that are insured. A special form (including theft), also called "all risk," is recommended in lieu of named perils coverage.

<b>Secure All Risks Coverage for Your Personal Property or a Separate Crime Policy</b>	<b>Gap</b>	<b>\$95,000.00</b>
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You have only named perils property coverage but lack a crime insurance policy. You may have inventory, equipment and other property exposed to theft--a peril not provided by a named perils policy. Consider choosing the special causes of loss option for your commercial property policy to insure this important peril. A second option is to purchase a crime policy to fill this significant coverage gap.

<b>Section Subtotal</b>	<b>\$140,000.00</b>
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***Miscellaneous***

<b>Consider Dependent Properties Business Income Coverage</b>	<b>Gap</b>	<b>\$35,000.00</b>
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You have key suppliers, vendors, or leader locations that are very difficult to replace but you lack contingent business interruption coverage. If a catastrophic loss were to impact one of these organizations, the ramifications for your business could be significant. Consider procuring a dependent properties business income/extra expense endorsement to fill this coverage gap.

<b>Section Subtotal</b>	<b>\$35,000.00</b>
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***Inland Marine, Crime, and Miscellaneous Property***

<b>Consider EDP Policy To Adequately Insure Your Computer-Related Exposures</b>	<b>Gap</b>	<b>\$20,000.00</b>
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You have substantial computer hardware/software loss exposures but either lack (a) adequate limits under your commercial property policy or (b) a separate electronic data processing (EDP) policy. An EDP policy typically offers "special" perils coverage and has coverage options for business income and extra expense coverages. Consider purchasing an EDP policy to properly cover your heightened loss exposure to this property.

<b>Section Subtotal</b>	<b>\$20,000.00</b>
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## General Liability

Add Electronic Data Liability Coverage to Your CGL	Gap	\$100,000.00
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You have a third party liability exposure to loss of electronic data but no coverage for this loss exposure under your CGL policy. Consider adding the "electronic data liability" endorsement to your CGL policy. This endorsement amends the electronic data exclusion so that loss of, or damage to, electronic data of other parties arising from physical injury to tangible property is covered.

<b>Section Subtotal</b>	<b>\$100,000.00</b>
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## Commercial Automobile

Select Broader Auto Symbols	Gap	\$0.00
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A current and accurate schedule of owned vehicles, including year, make, model, and serial number (and for commercial vehicles, size, radius, and cost new) is the starting point to properly arrange thorough insurance and compute premium. On the basis of the vehicle schedule, the most acceptable auto symbols can be assigned to initiate full coverage.

Select "Any Auto" Symbol	Gap	\$0.00
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Your automobile coverage is on a scheduled vehicles only (or specifically described autos only) basis. It restricts coverage only to those vehicles specifically described on the policy at the time of loss. We recommend broadening coverage to an Auto Symbol 1, "Any Auto" basis.

Properly Insure Nonowned Autos	Gap	\$50,000.00
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Your organization has an exposure to nonowned autos (e.g., owner's or employee's personal vehicles) without adequate protection. For these autos, a symbol 1 or a symbol 9 (nonowned autos) next to liability coverage in the commercial auto declarations is needed.

Secure Drive Other Car Coverage	Gap	\$0.00
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You have employees operating company vehicles assigned to them on a regular basis and who have not purchased a personal auto policy to protect themselves or family members. Thus, you should consider procuring drive other car (DOC) coverage to protect the employee and resident spouse when driving nonowned vehicles. Each applicable employee should be specifically listed in the DOC endorsement. You should also encourage your employee to procure his or her own personal auto policy.

<b>Section Subtotal</b>	<b>\$50,000.00</b>
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## Workers Compensation

Secure Voluntary Workers Coverage	Gap	\$50,000.00
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You employ voluntary or casual workers but do not provide workers compensation coverage for them. Consider adding the "voluntary workers compensation and employer's liability endorsement" to your workers compensation policy. This endorsement enables you to offer the injured worker the workers compensation benefits for your state, which could reduce the possibility of him or her suing you for negligently causing or contributing to his or her injury. Verify that all applicable workers (or their classifications) are described in the endorsement schedule.

Secure Proper "Other States" Coverage	Gap	\$50,000.00
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You have some incidental but uncovered workers compensation loss exposures for states not listed in item 3.A of the policy, resulting in a coverage gap. Coverage gaps for this incidental exposure can be closed by listing the applicable states on the policy declarations page under item 3.C--Other States Coverage. This coverage provides some measure of protection in states not specifically listed in the policy. In addition, you should notify your insurer of any new operations in states not declared on your information page.

<b>Section Subtotal</b>		<b>\$100,000.00</b>
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## Errors and Omissions (E&O)/Professional Liability

Procure Professional Liability Insurance Policy	Gap	\$1,000,000.00
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You have a professional or errors and omissions (E&O) liability loss exposure but do not have the proper insurance coverage. Note that CGL policies provide limited professional liability coverage at best. The best approach is to procure a separate professional liability policy, preferably from your CGL insurer, in order to mitigate claim disputes since the line between general liability coverage and professional liability coverage can be hazy.

Secure Employment Practices Liability Coverage	Gap	\$1,000,000.00
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You employ more than 10 employees and/or have several locations and have not procured an employment practices liability (EPL) policy, resulting in a substantial coverage gap. Note that employers with more than 10-15 employees or with multiple locations have a more significant EPL exposure. Since a variety of employment-related claims are possible (e.g., wrongful termination, discrimination, sexual harassment), consider purchasing EPL coverage to close this gap.

<b>Section Subtotal</b>		<b>\$2,000,000.00</b>
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## Directors and Officers (D&O) Liability

Consider Procuring D&O Liability Insurance	Gap	\$500,000.00
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You do not purchase directors and officers (D&O) liability insurance, perhaps under the common misunderstanding that privately held firms do not need this insurance. Yet, costly D&O claims can still arise from customers, competitors, lenders, vendors, shareholders, and government regulators for which there is no coverage under traditional general liability policies. In addition, private company D&O liability policies can also cover employment practices liability claims, which account for roughly 80 percent of all claims paid under private company D&O policies. Lastly, buying private company D&O insurance provides you with the insurer's expertise in claim handling, which is highly effective in controlling the level of claim settlements and judgments.

<b>Section Subtotal</b>		<b>\$500,000.00</b>
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## Miscellaneous Liability

Secure an E-Commerce or Cyber and Privacy Policy	Gap	\$500,000.00
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You have possession of outside party's "personally identifiable information" or health data and lack coverage for the costs to mitigate data breaches. Since your CGL policy does not cover this type of loss, consider an e-commerce or cyber liability policy to cover losses associated with data breaches of third parties. Note that many e-commerce or cyber liability policies combine liability and first-party coverage in a single form.



<b>Section Subtotal</b>	<b>\$500,000.00</b>
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## Umbrella/Excess Liability

<b>Increase Umbrella or Excess Liability Insurance Limits</b>	<b>Gap</b>	<b>\$2,000,000.00</b>
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Your umbrella/excess liability limits seem low as compared to the risk and to the limits other businesses typically purchase. It is impossible to determine the right amount of liability insurance to buy, but a limit should be chosen with a worst-case scenario in mind. Most organizations should purchase at least a \$5 million umbrella over the primary liability insurance, and we suggest obtaining quotes for that amount as well as \$7 million and \$10 million for consideration.

<b>Accurately Identify Underlying Insurers</b>	<b>Gap</b>	<b>\$0.00</b>
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Your umbrella/excess liability policy inaccurately identifies the actual "underlying" commercial auto insurer. This could void coverage for a large loss entering the excess policy coverage.

<b>Section Subtotal</b>	<b>\$2,000,000.00</b>
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SAMPLE

## Coverage Gap Summary

General Items	Gap	\$0.00
Property	Gap	\$305,000.00
General Liability	Gap	\$100,000.00
Commercial Automobile	Gap	\$50,000.00
Workers Compensation	Gap	\$100,000.00
Errors and Omissions (E&O)/Professional Liability	Gap	\$2,000,000.00
Directors and Officers (D&O) Liability	Gap	\$500,000.00
Miscellaneous Liability	Gap	\$500,000.00
Umbrella/Excess Liability	Gap	\$2,000,000.00
	<b>Total Gap</b>	<b>\$5,555,000.00</b>

**NOTE:** This report is based on information we deem reliable; however, additional coverage gaps and deficiencies not identified herein may exist.

SAMPLE