

## Your Business Insurance Needs

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- **Commercial Lines Product Highlight**

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### Product Highlight:

#### BUSINESS INTERRUPTION INSURANCE:

**By: Stacey Mandigo - Account Manager**  
**Rhodes & Williams Insurance Brokers**

Business owners naturally hope, perhaps even assume that their company will never be faced with a sudden stoppage. You go to your office one morning and find your office has been flooded or you've had a fire or there was an electrical fire in another part of the building that caused your office and all your equipment to be damaged by smoke. No computer, no phones, no way of contacting clients or delivering products. All of a sudden, your business is at a standstill. What do you do and what can your Insurance Policy do?

Establishing a plan and a clear understanding of what risks your business face is paramount to protecting yourself if the unforeseen should happen. Business Interruption Insurance could mean the difference between staying in business or closing your doors for good.

This coverage is designed to compensate you for lost income if your company suffers disaster-related damage that is covered under your property insurance policy, such as a fire. Business interruption insurance covers the profits you would have earned, based on your financial records, had the disaster not occurred. The policy also covers operating expenses, like electricity, that continue even though business activities have come to a temporary halt.

There are several types of Business Interruption policies. One of the most common is - called "gross earnings" and will pay only until the property or damage is repaired or replaced. As soon as business resumes, the policy will stop paying. This is regardless of whether or not you have reached your previous level of earnings. If, in the time the business was closed, you lost a large portion of clients to your competitors, your business will not be operating at the same level as before the loss. Yet your insurance will have stopped paying. Typically, this is a less expensive coverage and it may not be adequate for your needs.

A "profits form" will continue to pay until your business resumes its normal level, subject to maximum period of indemnity. Depending on the type of form, it can be from 12 to 24 months. It is more expensive but depending on your type of business, if you are in a highly competitive market, this may be well worth the price.

Another type of Business Interruption Insurance is Extra Expense. This type of coverage pays the additional costs associated with continuing services or operations even if the costs are higher than can be recovered by resulting sales. If you must continue to operate after a fire or similar disaster to avoid losing customers that may never be recovered, this coverage is for you. It can be used to supplement loss of earnings insurance or it can be purchased by itself. Consider a situation where only your server is damaged in a loss. You do not need to move and your business is still open but you do need to purchase a new server and then get it up and running. This could require specialized personnel, overtime and training of key personnel and could cost thousands of dollars in expenses. Ask your IT person what would be involved in restoring the data on your server. You may be surprised.

Another extension to Business Interruption Insurance is Contingent Business Interruption. How much of your company's operations rely on another entity? How disruptive would it be if you lost a key source of raw material or component parts from a supplier? This coverage is an extension that reimburses lost profits and extra expenses resulting from an interruption of business at the premises of a customer or supplier. If the damage to the supplier/customer has been caused by a peril insured under your policy then coverage would be available under this extension. If your business depends on a single supplier, if your business depends on one manufacturer for most of your merchandise, if your business depends on one customer to purchase the bulk of your products, then this is a coverage you must consider.

We must stress the importance of establishing a business continuity plan for your operation. Many businesses do not re-open after a significant disaster because they do not make plan in advance. We can help design a program specifically for the needs of your business. Protect yourself and protect your business.

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## Commercial Lines Tips

### Loss Prevention Tips

#### General Commercial Crime and Fire Prevention

- Ensure that all exterior doors have deadbolt locks with a minimum one inch bolt into the strike plate.
- Secure exposed exterior door hinge pins to prevent their removal.
- Protect all grade floor glass through the use of bars, metal screens or burglary resistant glazing materials.
- Install a burglar alarm system that is monitored offsite. Look for a system certified by the Underwriters Laboratories of Canada (ULC).
- Continually check for unsafe work conditions and practices, and take prompt corrective action.
- Provide serviced, multi-purpose fire extinguishers on your premises and instruct all staff in their use.

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website for Insurance  
Tips that are updated  
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#### Protecting Your Computer Equipment & Data

- Clamp or lock PCs to desks/work stations. Security kits are available at a nominal cost.
- Back-up data and programs on a regular basis and store them offsite in a secure location.
- Laptop computers are portable and easy targets for theft. Do not leave them unsecured or unattended.
- Maintain records of serial numbers for all of your computer equipment.

#### Business Interruption Prevention

- Employ the services of a professional accountant to prepare financial statements and perform an annual audit of your books.
- Maintain a list of secondary suppliers of materials in the event your primary supplier suffers a loss.
- Be prepared with a plan of action of how you will continue to service your customers while your premises are being repaired after a loss. This will help you to avoid losing your customer base. Consider availability of temporary premises where you can resume operations immediately.
- Reduce the physical and moral hazards that could cause loss to your business.
- Duplicate your business records and store them off-site; in the event that your premises are damaged, you will have documents to substantiate any business interruption loss.

#### Office Loss Prevention

- Avoid overloading of electrical outlets, particularly in older buildings equipped with fuses instead of circuit breakers.
- If existing electrical service is inadequate, ensure that any required electrical modifications are done by a professional electrician.
- Ensure that life and safety features such as fire alarms, exit signs and emergency lights are operational and serviced as per applicable fire code specifications.
- Clean all spills or wet floors immediately, post signs warning of wet or damp floors and

check floor surfaces for potential hazards on a regular basis. Non-slip rugs should be used during the winter months.

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# RHODES & WILLIAMS LIMITED

## Rhodes Report

Quarterly Client Communication

Winter Edition 2009

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### Get to Know Your Commercial Lines Broker

#### Stacey Mandigo - Commercial Lines Account Manager

##### Business:

Stacey started working in the insurance industry in 1982 when she joined her father's brokerage. She began her career in Personal Lines but over the years moved into Commercial Lines. Her considerable experience and knowledge enables her to provide expert service to our Commercial clients. Her expertise in working with some of the larger and more complicated accounts comes from a combination of years of experience and exposure to these unique products and risks.

##### Personal:

Outside of the office, Stacey enjoys spending time with family and friends, traveling, boating and working in the garden. She is a Senators fan and tries to get to as many games as possible.

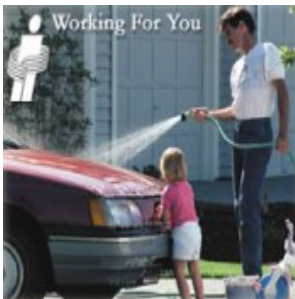


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#### Improved Insurance Availability

Insurance Bureau of Canada ~ 01/08/09 - Most businesses have improved access to commercial insurance at more affordable prices than at any time in the past 4 years, according to recent surveys conducted by Insurance Bureau of Canada (IBC).

"We've been working hard with stakeholders over the last few years to make insurance more accessible for businesses," said Don Forgeron, IBC's Vice-President for Ontario. "These surveys show that industry efforts have been fruitful."

IBC conducted two surveys to gauge the experiences of commercial insurance consumers when insuring their businesses. One survey measured the experiences of commercial insurance consumers directly. The other survey involved speaking to brokers that sell commercial insurance, so that the change in their clients' insurance rates could be tracked over time.

In 2002, the insurance industry produced the lowest earnings on record, leading to premium increases that created difficulties for many businesses and non-profit groups. A lack of basic information about insurance among commercial insurance consumers was seen as a major factor in the availability problem. To better educate commercial insurance consumers, IBC worked with its partners to develop workshops, seminars, and industry-specific guidelines on risk management. The results of the surveys reflect the success of these initiatives.

"Insurance consumers have spoken, and we've heard them," says Forgeron. "Our survey shows us that for the most part commercial insurance consumers are satisfied with the insurance products available to them, but their knowledge is still incomplete. With tough economic times ahead we'll be working hard to make sure consumers better understand their insurance needs."

In the past year, IBC has revamped sections of its website and is now offering a free home inventory tool for individual consumers. In 2009, IBC will build on that success with a website update focused on making it easier for businesses to build their insurance knowledge, and the release of free business inventory software geared to small business users. Insurance Bureau of Canada is the national industry association representing Canada's private home, car and business insurers. Its member companies represent nearly 95% of the property and casualty (P&C) insurance market in Canada. The P&C insurance industry employs over 110,000 Canadians, pays more than \$6 billion in taxes to the federal, provincial and municipal governments, and has a total premium base of \$38 billion.

#### B.C. Homeowners to Accommodate Guests in 2010

Insurance-Canada.ca ~ 12/16/2008 - British Columbia is expecting over 200,000 visitors from around the world to attend the 2010 Olympic and Paralympic Winter Games. Many BC homeowners plan on renting their homes in whole or in part to visitors. But what happens if the persons renting your home damage your property during their visit?

Insurance Bureau of Canada (IBC) wants you to make sure you are properly insured. "The world is coming to B.C. in 2010," says Lindsay Olson, IBC's Vice-President, British Columbia, Saskatchewan & Manitoba. "Renting out your home or apartment to visitors could affect your insurance coverage. Consumers shouldn't assume they are covered for damage done by occupants simply because they have home insurance." Insurance Bureau of Canada encourages all B.C. homeowners who intend to rent or lend out any part of their premises to contact their insurance representatives to find out if they are properly covered.

Olson advises homeowners to be clear about their intentions. "Let your insurance professional know what you plan on doing, and don't be afraid to ask questions. In some cases, your existing coverage may be adequate. In other cases, you may have the option to purchase additional coverage. Either way, it's better to be safe than sorry." Olson also encourages all B.C. homeowners and tenants to maintain a complete, up-to-date home inventory. "Having a personal inventory is just as important for tenants as it is for homeowners," adds Olson. "Many tenants don't bother, but are surprised to learn just how

much they own, and how much it would cost to replace everything they own in the event of a tragedy."

### **Safer Living Home Unveiled**

Insurance-Canada.ca ~ 01/02/09 - As climate change brings about increasingly destructive weather patterns, we need to adopt safer living standards for our homes. And that's exactly what the innovative Designed...for safer living program is all about. Recently, the program celebrated the completion of Canada's third safer living home, designed to withstand extreme winds and severe winter weather, in Fort Erie, Ontario.

Construction of the home is beyond what is called for in current building codes, which involved special building material and methods, from the foundation to the roof. It was built from the ground up, designed to withstand the most hazardous weather conditions in the area: extreme winter weather, high winds and rain storms.

Special construction features include:

- steel hurricane clips and strapping to secure the trusses to the framing, and braced gable ends to withstand high winds;
- reinforced rebar in the foundation;
- wider foundation footings;
- triple-glazed windows and doors;
- laminate shingles installed with additional nails;
- ice and water shield over the entire roof;
- spray foam insulation; and
- 5/8-inch fire-rated drywall.

"Canadians have a tradition of building strong homes, yet we have the knowledge to build homes that are even more resilient to extreme weather events, which are increasing in frequency and severity," says Institute for Catastrophic Loss Reduction executive director Paul Kovacs. "We need to harness that knowledge to build safer homes for future generations of Canadians. This home -- and the other two before it -- stand as models as we work to build more resilient homes and communities right across the country." The two other safer living homes that have been built since the program was launched in 2006 are in West Point, Prince Edward Island, and Sudbury, Ontario. In the months and years to come, additional safer living homes will be built in regions of Canada. They will be designed to be resilient to the local weather perils in their area, which may include earthquakes, prairie wildfires, tornadoes, and hail storms.

### **MTO Beginner Driver Education Course**

IBAO Newsletter ~ December 2008 - The Ministry of Transportation recently implemented changes to the Beginner Driver Education Course. The following information will assist you in better understanding these changes.

Students who have completed a Beginner Driver Education Course prior to September 29, 2008 will be issued a Beginner Driver Education Certificate by the driving school where their course was completed. Please note that this certificate will be a paper certificate as was the usual practice. Certificates issued prior to September 29th must be presented to a DriveTest centre at the time of the G2 road test.

However, students who enrolled in a Beginner Driver Education on or after September 29, 2008 will no longer be issued a paper certificate from the driving school

Once a student has successfully completed all components of the course, they will be certified online through the driving school where they completed their course. The Student Driver Record will then be updated through the Ministry to verify course completion.

Students wanting proof of course completion for possible insurance discounts must obtain their driver's license history. This can be done by filling out an application through the Ministry. The cost of each search will be \$12. The driver's license history search can only be requested by the driver's license holder, as it contains personal information. The application must be signed by the applicant. Applicants will be able to request their driver's license history through online services; however, this service is not available at this time.

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## Your Financial and Wealth Management Needs

### Search For Secret Tax Strategies

At the beginning of every year, tax comes to the front of most small business owner's minds. Some are looking for that secret deduction or tax-scheme, but the best opportunities to save and defer tax are not secrets at all. The following is a brief summary of five major ways that successful small businesses owners can reduce their tax liability:

- **Proper distribution of income from the company into the owner's hands.** Income can flow as salary, bonus, dividends, shareholder loans, reimbursements and taxable or non-taxable benefits. Careful income planning can have a dramatic impact on the amount of tax paid. Planning allows small business owners to take advantage of lower corporate tax rates and tax deferral opportunities.
- **Tax planning vs. tax preparation.** Tax should not be a once a year event. Rather, a comprehensive tax plan that is pursued on an ongoing basis can reduce current taxes while also providing long-term tax savings.
- **Take advantage of all possible deductions.** Canada Revenue Agency allows several tax saving opportunities through legal deductions; unfortunately many small businesses do not take advantage of them.
- **Plan for capital expenditures properly.** Decisions to lease vs. purchase, when to make purchases and whether to replace vs. repair all need to be analyzed in detail in order to be most tax effective.
- **Plan for a tax efficient retirement.** Retirement savings can come from traditional savings vehicles like RRSP, TFSA and company pensions or from the eventual sale of the business. Do not wait till you are ready to retire to start looking at the best option because it will be too late. In many cases it is advantageous for a business to invest in itself, but proper retirement planning is still essential.

### Tax Free Savings Accounts Available in 2009

A Tax Free Savings Account is an account where contributions are made with after-tax dollars and withdrawals are tax-free. This means that money can be earned in the account and withdrawn at any time without being taxed.

#### Who is eligible to contribute to a TFSA?

- Anyone over the age of 18 even those without an income, or those over the age of 71, who are ineligible to contribute to an RRSP.

#### How does it work?

- You can save up to \$5,000 every year in a TFSA, and the \$5,000 annual contribution limit will be indexed to the Consumer Price Index and rounded to the nearest \$500. For example, with a 2% rate of inflation, the first increase to \$5,500 would occur in 2012.
- TFSAs can hold the same investments as registered accounts, such as mutual funds, segregated funds, stocks, bonds, and GICs.
- Any amount withdrawn from the account is automatically added back to your contribution room for the following year.
- Unused contribution room can be carried forward indefinitely to future years.

#### If investment growth is tax-free for both TFSAs and RRSPs, what are the differences?

- Contributions to an RRSP are tax deductible and reduce your taxable income, while contributions to a TFSA are not deductible.
- Withdrawals from an RRSP are added to your income and taxed at your current rate, while TFSA withdrawals are tax-free.
- You must convert your RRSP to a RRIF by age 71 and withdrawals after that time are

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mandated according to a schedule based on your age. There is no similar requirement for TFSAs.

- For RRSPs, once a contribution is made, that contribution room is "used up". With TFSAs, the amount of a withdrawal is automatically added back to the contribution room.

## 2009 CPP Maximums Set

The Canada Revenue Agency recently announced the maximum pensionable earnings under the Canada Pension Plan (CPP) for 2009 will be \$46,300, up from \$44,900 in 2008. The new maximum pensionable earnings amount was calculated according to a CPP legislated formula that takes into account the growth in average weekly wages and salaries in Canada, the CRA said. Contributors who will earn more than \$46,300 in 2009 will not be required or permitted to make additional contributions to the CPP.

The basic exemption amount for 2009 remains \$3,500. Individuals who earn less than that amount do not need to contribute to the CPP. The employee and employer contribution rates for 2009 will remain unchanged at 4.95%, and the self-employed contribution rate will remain unchanged at 9.9%. The maximum employer and employee contribution to the plan for 2009 will be \$2,118.60, and the maximum self-employed contribution will be \$4,237.20. The maximums in 2008 were \$2,049.30 and \$4,098.60.

## Tax Time

Here are some things to remember as tax time approaches:

- The newly introduced Child Fitness Tax Credit is available to parents of children under the age of 16 who are registered in an eligible program of physical activity, to a limit of \$500 per child.
- The also new Public Transit Tax Credit is available for those that buy a monthly (or longer duration) pass for commuting on buses, streetcars, subways commuter trains and local ferries.
- If you have paid tax on capital gains this year or in the previous three years and have losing investments, consider triggering the capital loss before year-end. This strategy will help you recover taxes paid on the previously reported capital gains.
- Remember to carry back losses to the earliest year possible since the oldest years will expire first.
- If you have reached age 65 in 2008, you are likely aware that you are eligible for Old Age Security (OAS). But many are not aware you actually need to apply for it.
- Remember to apply for OAS as soon as possible, since retroactive payments are only available for up to 11 months plus the month in which you apply for OAS.

## Outlook for 2009

The world economy will grow at its weakest level in 27 years in 2009, but Canada will avoid a deep downturn, according to the National Bank Financial Group. The bank's global economic and financial outlook for 2008 and 2009, released last Thursday, predicts global growth of 1.6% next year. "Even if deleveraging and forced asset sales let up in the months ahead, which is likely, we do not expect the world economy to expand by more than 1.6% in 2009," said Stefane Marion, chief economist and strategist at National Bank.

In Canada, the bank expects total GDP growth of 0.7% in 2008, and no growth in 2009. While a technical recession "seems inevitable," the National Bank expects monetary policy and budget stimulus measures from Ottawa to help sustain domestic demand and prevent a recession as severe as the one of the early 1990s. "This kind of recession happens only if the bottom falls out of domestic demand," the report says, adding that domestic demand generally only falls during times of restrictive monetary policy, which is currently not the case. Also;

- Exports will be the "weak link" in the Canadian economy, falling by 5% to 10% from peak to trough, according to the bank. This weakness could also persist for a longer period than in previous recessions, since the U.S. economy will likely be slow to recover.
- The unemployment rate, which is current just over 6%, will peak at 7% next year, according to the outlook. "There is no reason to think that the overall decrease will be as large as in past recessions," the report says, noting that corporate profits are still growing in Canada, while they are falling south of the border.
- The housing market will continue to slow in 2009, with a 20% drop in housing starts and a 15% drop in home sales.

- Across the country, Ontario and Newfoundland are the only two provinces expected to report negative GDP growth next year, at declines of 0.8% and 1.3% respectively. Leading growth will be Saskatchewan, at growth of 2.6%, followed by Manitoba, at 1.4%.
- The Canadian dollar will likely continue to hover near its current level, remaining between US78 and US82 throughout 2009, according to the outlook.

Meanwhile, the report says the United States officially began a consumer-led recession -- its first since 1991 -- in December 2007. The bank expects the recession to last until mid-2009 -- a recessionary period longer than average, at 20 months total, due to the corresponding financial crisis. Demand in the U.S. will not begin to rebound until the second half of 2009, which could put its economy on track for "moderate growth" in late 2009, but negative growth until then. Real GDP should decline by 0.3% in the United States in 2009, the bank projects. In addition, the U.S. unemployment rate could climb to 8% or more by the end of 2009.

The downturn in the United States has dragged other countries around the world into recession as well. "The emerging economies are still overly dependent on the industrialized economies," commented Yanick Desnoyers, assistant chief economist at the National Bank. "The economic decoupling theory is slowly but surely fizzling out." But the National Bank expects liquidity measures by the Federal Reserve and the U.S. Treasury, along with major economic stimulus in next year's U.S. budget, to help the U.S. and world economies to recover in 2009. The bank also expects historically low interest rates to persist next year.

As for the financial markets, National Bank holds that the stock markets have already discounted a great deal of bad news, so that downside risks have abated considerably. "North American equities have now absorbed most of the decline typical of past periods of financial stress and economic contraction," the report says. It adds that three conditions are necessary for a rebound: stabilization of the U.S. housing market, more realism in consensus earnings forecasts and an abatement of credit risk. Since equity markets always rebound before the economy -- typically two-thirds of the way through a recession -- National bank expects stock markets to rebound next year.

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# RHODES & WILLIAMS LIMITED

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### Get to Know Your Financial and Wealth Management Advisor

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#### Craig McIntyre, CAPCORP Financial Advisor



##### Business:

Craig joined CAPCORP in 2007 bringing many years of experience in small business planning, tax consulting and operations. Craig has worked in financial planning and related fields, holding a number of positions including Proprietary Equity Trader, Store Manager, Tax Consultant and Financial Advisor. Craig takes a big picture approach to financial planning by integrating tax, wealth management, estate planning and insurance strategies to individuals and businesses.

Craig recently completed the CFP program, joining several CAPCORP Advisors who hold the CFP designation. The CFP identifies individuals who are dedicated to the highest level of professionalism in providing financial planning advice. The CFP

credential assures that the planner adheres to internationally recognized professional standards of competence and ethical practice. CFP standards include requirements in education, examination, experience and ethics.

In addition to financial planning, Craig offers tax preparation services for individuals, sole proprietorships and small businesses. This gives Craig an up-close perspective on his clients' tax situation and allows him to offer uniquely insightful financial advice.

Craig received his Honours BComm degree from the University of Windsor and MBA from Wayne State University in Detroit.

##### Personal:

Craig and his wife Kathy are newlyweds, having married last spring. In his free time, Craig enjoys outdoor activities including hockey, kayaking and windsurfing.



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[www.rhodeswilliams.com](http://www.rhodeswilliams.com)  
[www.capcorp.ca](http://www.capcorp.ca)

*Rhodes & Williams employees live and work in your community. We are your neighbours, your friends and your insurance advisors. As such we feel an obligation to be good corporate citizens and contribute to the communities in which we live and serve.*

#### Gore Mutual Offers Free Taxi Rides

Gore Mutual Insurance Company celebrates a safe holiday season by offering their automobile clients a free taxi ride on New Year's Eve.

"We are very proud of our New Year's Eve taxi offer," says Kevin McNeil, President and CEO, Gore Mutual. "Along with our broker partners, we are pleased to help our clients enjoy a safe New Year's Eve."

As a safety conscious company, Gore Mutual has been offering this program for many years because keeping families safe is important to them.

Gore Mutual automobile clients received a letter and voucher for their taxi ride – up to a maximum of \$15.00 - just before Christmas.

The taxi offer is just one of the many ways Gore Mutual and Rhodes & Williams shows gratitude to their clients and the communities in which they live.

#### Operation Christmas Child Shoe Boxes

This year, Rhodes & Williams participated in the Operation Christmas Child Show Box campaign.

In 2008, 713,294 shoe boxes from Canada were collected and distributed to children in more than 15 countries. Each gift is a special reminder to a child that he or she is loved. Delivered by teams of local pastors, charities, and civic leaders, Operation Christmas Child gifts provide opportunities to make a lasting impact on children, families and communities.

The shoe boxes are filled with school supplies, toys, hygiene items, candy, clothing, and anything that would put a smile on a child's face.

Our team here at the office put together an amazing 31 boxes and \$217 towards shipping and project costs.

The shoe boxes don't leave Canada on their journey overseas without first making an impact on the people who pack them. The project fosters compassion in Canadian families, individuals, and businesses by expanding their world view and showing how it is greater to give than to receive.



## Thank-You for Trusting us With your Insurance Needs

At this time, we at Rhodes & Williams, would like to thank-you for your continued business. [Referring our services](#) to your friends, family, neighbours and business associates is one of the greatest compliments we can receive. Anyone you recommend to Rhodes & Williams can expect the same great level of service that you have come to expect from us.

### Legal Disclaimer

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