The Night Before Riskmas: A Holiday Risk Management Tale

December 2012

"Twas the night before Riskmas,

and throughout Santa's shop, not an exposure was covered,
from bottom to top.

Though elves worked hard to make toys with great care,
the risk for injury was still always there.

Santa should have been nestled all snug in his bed,
but visions of big losses danced in his head.

He poured himself four fingers of eggnog as his nightcap,
and hoped he could solve his problems after a quick nap.

As he drifted off into a deep slumber,
the potential for claims multiplied in number.

Santa dreamt of the holiday preparations and his beloved sleigh,
and realized that unless coverage was bound, he would have to pay.

Possible equipment breakdown could result in a clatter;
he would need risk management to help solve the matter.

If the naughty and nice list was erased in a computer crash,
the work his elves had done all year would be gone in a flash.

He dreamt about his eight tiny reindeer that were ready to go,
but he knew they were uninsured motorists—a potentially crushing blow.

CONTRIBUTING ELVES

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With acknowledgement to
Clement Clarke Moore's poem,
"A Visit From St. Nicholas"
(1823)

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Santa remembered tall Sam, an elf who was very bright,
but could not get hired to Santa's staff, due to his height.

Another catastrophe could be a visit from the Grinch,
who had proven the theft of Christmas could be done in a cinch.

He thought of the stockpile of coal,
as a contaminant would surely take its toll.

Father Christmas without facial hair would be quite weird;
he must go to Lloyd's for coverage of his beard.

Numerous policies might not cover it all;
he would need an umbrella policy to cushion a fall.

When Santa awoke, he was sitting in his chair,
Only to discover the exposures really were there.

The Yuletide lesson to learn as we draw to a close,
Is that risks—ever present—will leave you exposed.

So Santa gave his risk manager permission to bind,
Leaving him fully covered, with great peace of mind.

Then, as he loudly exclaimed, and breathed a sigh of delight,
"Merry Riskmas to all, and to all a good night."

A Cure for Santa's Holiday Headache

After an in-depth analysis of the exposures Santa Claus faces on a yearly basis, following is an overview of a risk management plan K. Kringle Manufacturing, Inc., should consider putting into place. From property coverage to protection against theft, this program would help ensure the smooth manufacturing of millions of toys, a content workforce of elves, and tremendous peace of mind for the jolly man in the red suit.

Exposures	Claim Scenarios	Coverages	Cost of Insurance
SANTA'S WORKSHOP	Every one of Santa's presents needs to be wrapped and decorated with a fancy bow. The elves store all the decorations on the west side of the workshop. The wrapping paper distribution plant caught fire when the Christmas decorations were put too close to the Yuletide fireplace.	PROPERTY This coverage is extremely important because it covers not only the building itself, but the contents within the building. This time of year, the workshop is filled with many presents for the children, which would be covered as "stock." Electing replacement cost in the contents section of the policy will allow Santa to insure to full value should the presents be damaged.	Limit - $100,000,000 Premium - $100,000
BODILY INJURY TO THE ELVES	Santa always produces a high-quality product by implementing a very disciplined Quality Assurance Department. Jill, the Quality Control Specialist in the Jack-in-the-Box Department, was caught off guard by an anxious Jack, giving her a concussion. Jill had to miss a week of work and had hundreds of dollars in medical bills.	WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY The elves work day in and day out in the workshop. Even with the best loss control practices, workers may get injured. A workers' compensation policy protects the insured for losses due to bodily injury that arise out of the course of employment. The workers' compensation laws at the North Pole are said to mirror those of the state of Hawaii, due to similar climates and cultures.	Workers' Compensation Statutory Limits Employer's Liability Limit - $1,000,000 Premium - $754,000 Volunteer labor is valued at minimum wage ($7.25). Santa and the Loss Control Team are working on a large-deductible plan to minimize costs.
SANTA'S PUB	During the busy season when working hours are long, all of Santa's employees end their day at Santa's Pub with a few eggnogs. One particular elf, Scooter, was overserved and decided to take Blitzen for a test ride. As Scooter lost control of Blitzen, he rode right into The Sugar Plum General Store down the street, causing hundreds of dollars in damages, as well as a broken antler for Blitzen.	LIQUOR LIABILITY Serving eggnog is a fun Christmas tradition, but may result in unforeseen losses. This will provide Santa's Pub with coverage for bodily injury and property damage caused by elf intoxication. Many elves are not aware of their eggnog tolerance and may hold Santa's bartenders responsible.	Limit - $5,000,000 Exposure Base - $2,500,000 Minimum Premium - $10,000

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SANTA'S SLEIGH (LIABILITY)	As Christmas Eve approaches, Santa's assistant always takes the sleigh around the block to ensure all systems are a go. This year, he hit an icy patch on 34th Street and slid right into the gingerbread house on the corner. The owner of the gingerbread house was slightly injured, and her home was completely destroyed. As it turns out, gingerbread does not hold up to impact.	GENERAL LIABILITY (MOBILE EQUIPMENT) Santa's sleigh is not required to be licensed for road use at the North Pole because of its unique qualities. When the sleigh is in use, it would be covered as mobile equipment under the general liability policy for the injury to the homeowner and to repairs to the gingerbread house.	Limits $1,000,000 each occurrence $2,000,000 aggregate Covers bodily injury and property damage Because no one can put a price tag on the value of gifts that Santa brings, the carrier in an amazing goodwill gesture donated coverage (a true Christmas miracle . . .).
SANTA'S MANUFACTURING EQUIPMENT	Mistletoe hanging above the candy cane conveyer system accidentally fell into the electrical box of the machine. This candy cane conveyer system exploded due to a surge of electrical current. The system was inoperable for over a week.	EQUIPMENT BREAKDOWN Santa's Workshop has an abundance of toy manufacturing equipment. This covers loss resulting from the accidental breakdown of any equipment operating under pressure or using mechanical or electrical power.	Limit - $50,000,000 Premium - $50,000
NAUGHTY OR NICE LIST	The naughty or nice list is compiled throughout the year based on children's behavior. The list is kept in a very high-tech data processing system, known as X-Mas 2007. A large blizzard came through the North Pole damaging the local power facility. Due to this off-premises power failure, the X-Mas 2007 crashed, and half of the newly updated data was lost.	ELECTRONIC DATA PROCESSING The elves worked diligently all year inputting data on the naughty or nice list. In the event of a computer crash or virus, this policy would provide coverage to reconstruct the valuable data. Also, in the event of hardware destruction, Santa could elect to have upgraded valuation on this policy so that his elves have access to the latest computer systems. (All the sleigh bells and whistles for Santa's coverage.)	Limit - $3,000,000 Premium - $12,000
SANTA'S SLEIGH (WHILE IN THE AIR)	On Santa's big night of delivering presents, he had a moment of carelessness and sideswiped a chimney. The chimney was damaged completely, but Santa couldn't be seen, so he made sure to leave a note with all of his information next to the milk and cookies.	AVIATION Santa needs hull and liability coverage for his sleigh. Hull coverage provides protection for physical damage to the sleigh. The liability portion of this coverage will cover any bodily injury or property damage caused by the sleigh.	Limit - $5,000,000 Premium - $50,000

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DISCRIMINATION CASES FROM HIRING OF ELVES	Being an elf in Santa's Workshop is a very prestigious role to take as a native of the North Pole area. Santa has strict hiring practices that include attributes such as pointy ears and short stature. Recently, three elves who had the life long dream of working in Santa's Workshop were not accepted for the position because they did not meet these strict requirements.	EMPLOYMENT PRACTICES LIABILITY In the event that one of the disgruntled elves files a claim against Santa's hiring practices, this coverage will provide against any wrongful employment practices such as harassment, wrongful termination, failure to hire and unlawful discrimination.	Limit - $1,000,000 Exposure Base - 500,000 Elves Premium - $50,000
THE GRINCH	Santa plays his collection of Christmas music throughout the holiday season to keep the workshop in good spirits. The Grinch was not a fan of Christmas music and thought he could sweep away the holiday cheer by snatching Santa's collection of records.	CRIME During the holiday season, the Christmas spirit creates quite a buzz, and joy is plentiful. Those who do not enjoy this time of the year may feel the need to steal the joy of others. This coverage provides protection should the Christmas gifts be stolen or damaged by those who don't enjoy this special time of year.	Included in Property Coverage Santa's risk management team negotiated a special off-premises expansion of coverage to protect against "Grinch Snatches."
COAL	The naughty kids of Christmas have been punished through the years by receiving coal in their stockings instead of presents. Due to the abundance of leftover coal, the stockpile has leached into a nearby field, and cleanup is required.	POLLUTION Due to the handling of coal, it is important for Santa's Workshop to carry pollution coverage. The environmental policy would include pollution coverage for Santa's premises.	Limit - $1,000,000 Rate - $25 per 100 pieces of coal Premium - $10,000 400 kids are on the naughty list (it was a good year).
SANTA'S BEARD	It is a well-known fact that Santa loves his cookies and milk. This year, while he was eating his cookies after a nice dinner by Mrs. Claus, he went out to feed Rudolph and the other reindeer their vegetables. Santa was unaware of the leftover cookie crumbs in his beard. Rudolph went after the sugary treat, accidently eating a portion of Santa's beard.	LLOYD'S BEARD COVERAGE Santa, being the celebrity that he is, has followed in the footsteps of many of the Lloyd's clientele that have body parts insured. Santa's beard is a valuable asset that cannot be replaced.	Limit - $1,000,000 Premium - $5,000

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TOYS WHILE IN TRANSIT	On the night of delivery, Santa was in a time crunch. He had a lot of houses left but the night was running out. He decided he needed to carry more presents on the sleigh to minimize his reloading trips. On one trip, he packed the sleigh too tight, and a vicious gust of wind blew some of the gifts overboard and into a lake.	OCEAN MARINE An open cargo policy would provide coverage for overseas shipments by aircraft (in this case, Santa's sleigh). Transporting toys to all the children in the world is a huge liability for Santa and therefore he needs to protect this precious cargo.	Limit - $1,000,000,000 Premium - $100,000
REINDEER	Santa made a stop on young Freddy's roof for a present drop-off. While waiting, Donner got bored and began chewing away at his collar. When Santa came back to move on to the next house, Donner had chewed all the way through and was unfastened. Santa was not aware of Donner's vulnerability and began his ritual of revving the reindeer for flight. When they all began to run to take off, Donner fell off the roof and broke his leg. He will be laid up for at least six months, and Santa may need to find a replacement.	EXOTIC ANIMAL COVERAGE The reindeer are just as much a part of Christmas as the presents Santa distributes throughout the holiday. This coverage will help protect Santa and the success of Christmas should one of these animals become injured and no longer able to fly the sleigh.	Limit - $1,000,000 Premium - $16,000
UMBRELLA	The potential for multiple parties in a claim is certainly a concern for Santa. In an effort to safeguard Christmas, he felt it was best to have these additional backup limits in place. (Santa has never been sued—just taking precaution.)	UMBRELLA POLICY If any underlying casualty limits are depleted, the umbrella will be available beyond those policies.	Limit - $5,000,000 Premium - $46,000

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The total annual premium cost of the above program to K. Kringle Manufacturing is estimated between $1,200,000 and $1,250,000. Considering the inclusive program will provide up to $1,175,000,000 in coverage against all types of exposures, and knowing it's nearly impossible to put a price tag on the countless happy faces on Christmas morning, Santa and his risk manager worked diligently with their broker to build a comprehensive program that will help secure a merry and bright Riskmas for everyone for many years to come.

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