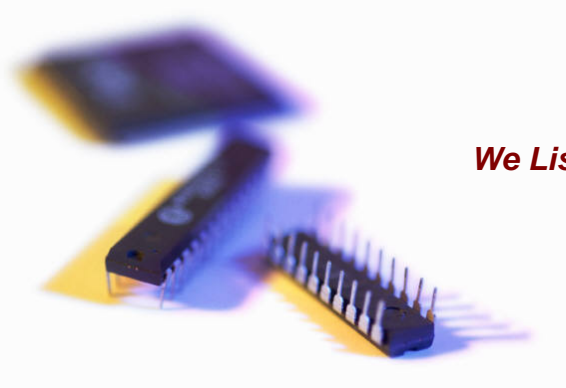


Lloyd Sadd has provided Risk Management and Insurance services to Alberta Science and Technology companies for over a decade.

As an integral part of our commitment to provide Risk Management tools and information, we are pleased to issue our first Science and Technology Risk Management Communiqué.

We hope that you find the content informative and, more importantly, useful in assisting the evolution of risk management in your organization.

Please do not hesitate to contact one of our Science and Technology risk management specialists for further discussion on these or any other risk management issues.



We Listen. We Think. We Deliver.

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5th Annual Corporate Risk & Liability Seminar

Mark your Calendar!
Wednesday, October 22, 2008

As part of our commitment to provide value-added services to assist clients reduce their total cost of risk, we are once again pleased to present professional experts to speak on risk topics that affect your organization.



For information regarding topics and registration, please contact:
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Manage Cost of Risk, Control Price

Every facet of your organization affects your cost of risk. It is difficult, at best, to quantify all aspects of this total cost of risk. For example, if you manufacture specialty equipment or products and you are faced with a recall, what is your loss of reputation or market share? In contrast, other components of your total cost of risk are easily quantifiable, such as insurance premiums, or the downtime of a custom piece of machinery and the resulting lost production.

Total cost of risk is an insurance term describing the cost of both pure and speculative risk. Additionally, cost of risk is synonymous with price — the price of your risk management program. We at Lloyd Sudd Insurance Brokers Ltd. take a total cost of risk approach to positively affect your price.

Our goal is to structure a risk management program that protects the four main asset categories of your business:

- Organization
- Personnel
- Property
- Net income

The structure of your risk management program looks to the endgame of your price. To reach the endgame you seek, we must first further define Risk Management into four key tenets:

- Identification of exposures through analysis;
- Implementation of control measures to those exposures;
- Risk transfer or financing; and
- Management of current and future exposures.

“Total cost of risk is an insurance term describing the cost of both pure and speculative risk. Additionally, cost of risk is synonymous with price — the price of your risk management program. Taking a total cost of risk approach will positively affect bottom line.”

IDENTIFICATION OF EXPOSURES

Exposures are both qualitative and quantitative. Analyses into both arenas offer the starting foundation of understanding your current exposures to develop forward-thinking approaches. The qualitative discussion will confirm if the business initiatives are in correlation to the risk management program.

As part of our risk management interview process, we look to confirm that your risk management approach supports your overall business objectives. As a business owner, CFO, Risk Manager or HR Director, what keeps you up at night? If that concern happened, how would your income or cash flow be affected if there were unforeseen depletions of capital or a shutdown in the plant?

A discussion on the qualitative aspects of your business provides the important details needed to solidify the most appropriate game plan to your endgame, price.

What is your viewpoint on risk? Are you/your company risk averse? Is your company in a financial position to take on more risk versus transferring that risk to another party or contractually to a carrier?

To help determine your risk aversion, it helps to assess your company history. For example, if you are a start-up company, cash flow and funds are typically tight, so you are more likely to be averse to risk to protect the financial viability of your start-up organization.

Conversely, if your company has a 20+ year history, there are also risks, including becoming obsolete, stagnant, or too conservative with your business plan.

Furthermore, we consider your industry, market position, and competition in positioning your risk management solution to the changing needs and direction of your business.

Quantitative analysis supports the qualitative interview. We look at the “hard numbers” and prior losses to identify trends in your performance. We also analyze losses to identify a variety of variables, such as:

- average incurred costs per loss;
- total incurred trends;
- top loss drivers;
- locations with high frequency issues;
- fraud behaviors;
- reporting lag time;
- frequency vs. severity ratios; and
- Workers Compensation recordable performance.

The results of our in-depth analysis will reveal opportunities to approach the critical areas driving your total cost of risk, price. We will isolate the root causes of these problematic areas and look to implement control measures to mitigate this exposure.

IMPLEMENTATION OF CONTROL MEASURES

The opportunity spent on the identification of exposures directs us to apply our expert resources delivering the highest impact on your bottom line. Several control measures are designed from a pre-loss perspective.

An estimated 75 percent of commercial insurance expenses are claims driven. We look to control and reduce this percentage through pre- and post-loss control measures.

A comprehensive loss control evaluation points to strengths and weaknesses in loss control programs. One may have strong management leadership behind his or her initiatives but have no employee buy-in or participation. We can help

provide solutions to create a comprehensive employee safety education campaign. Your business operations will determine the types of measures and approaches to take in addressing your exposures.

An active Loss Control Program and post-loss procedures are key to cost containment. Our agency offers comprehensive resources to employ the most appropriate strategies for your business.

RISK TRANSFER/FINANCING

Once we have identified exposures and created control measures, we can focus on the remaining exposures to transfer and/or finance. You will want to address questions such as: How much risk can you afford to assume in-house? How can we assist in contractually transferring that risk to a third party? Lastly, what portion of the exposures do we want to finance through an insurance policy?

Addressing these questions offers a direction as to how to approach the financing of your risk. Think about current cash flow needs. Are account receivables current? If there is a lag, how long is it, and are there resources to correct it?

Considerations involve self-insured retentions if you have a mature loss control program and the financial reserves to cover those shock losses that occur. Therefore, a combination of insurance and non-insurance strategies should be considered. Our insurance experts offer many years of experience in tailoring risk financing programs.



MANAGE YOUR EXPOSURES

It is estimated that 25 percent of businesses that sustain a major catastrophe are no longer in business within a year's time. If there is an interruption in your operations, are you prepared?

We seek a long-term partnership with our clients to address the ongoing changes of exposures with your organization. Continual monitoring of the programs in place, as well as future business expansions, will dictate the course of your risk management program.

We highly recommend you:

- Develop a Strategic Action Plan to put the needed control measures in place, including a Disaster Recovery Plan. This involves backing up your policies and procedures. We offer 24/7 Web access to your critical risk management information, employee education resources and tools to drive down your cost of regulatory compliance: all are ID and password enabled for your protection.
- Offer consistent loss control policies and procedures to all divisions and departments within your organization.

COST OF RISK RESOURCES

To develop the most appropriate risk management program for your organization, it is important to approach 'insurance' through a variety of insurance and non-insurance strategies, such as:

- Identification processes (qualitative and quantitative),
- Loss analysis tools to uncover exposures,
- Implementation of pre- or post-loss initiatives that address cost containment,
- Business continuation planning/disaster recovery,

- Risk financing options, retained losses or transferred, and
- Regulatory compliance issues.

It is important to develop a strategic action plan, execute the designed risk management program, and commit to the monitoring and support of these initiatives.

If you are interested in reviewing your risk management strategies, contact us at 780-483-4544 to speak with one of our insurance experts today.



RENTAL VEHICLES

If you are renting a car for a business trip, physical damage coverage for the rental vehicle may be provided under your General Liability policy, but there are conditions that apply and limitations to consider:

- Does your policy include the SEF 94, Damage to Hired Automobiles extension? Check to make sure your policy includes this coverage.
- Vehicle must be rented under the company name (the Named Insured on the policy) and be used for business purposes.
- Be sure the policy limit is sufficient for the value of the vehicle you are renting.
- Review the rental agreement carefully
- Be aware that any losses paid out under this extension are general liability losses and are reflected on your corporate loss history for 5 years. There are also other ways you can obtain this coverage.

If you'd like more details about what your policy covers, please contact a member of your service team.

Our Science and Technology Department

In today's high-tech world, products and services change as rapidly as technology evolves. Keeping up with these changes can be overwhelming and time-consuming. As your insurance advisor, we ensure our market information is current and remains on top of technological trends which affect our clients' business. Whether you are an emerging company or an established multinational firm, Lloyd Sadd Insurance makes it a priority to understand your business and the way it operates in context with technology. Lloyd Sadd Insurance's Science and Technology Practice is a group of insurance professionals working exclusively with technology clients to think up unique and dynamic solutions for their insurance needs so clients can stay focused on growing their business.



Chris Huebner, Account Executive

Chris is a Senior Account Executive focused on the management of large complex commercial accounts in the manufacturing, distribution and oil & gas industries. He started with Lloyd Sadd in 1996 in call center operations, and has worked his way up to becoming a partner in 2002.



Paavo Montandon, Account Executive

Paavo is a Senior Account Executive and Partner at Lloyd Sadd. His practice has focused on service to manufacturing and technology sectors for over a decade. Paavo also has extensive experience with professional and management liability products.



Stuart Tate, Account Executive

Stuart joined Lloyd Sadd in 2003, bringing with him many years of experience in the Agribusiness, Manufacturing and Technology sectors. Stuart comes to Lloyd Sadd after a positive tenure at a major international brokerage, where his responsibilities included helping create a national focus group for Technology/Biotechnology and leading the initiative in Alberta.



Karen Polkosnik, Marketing Broker

Karen joined Lloyd Sadd in 2002, bringing with her extensive underwriting and marketing experience from several large insurers. Karen is in our marketing department and is responsible for the "marketing" of clients' insurance requirements. Karen will analyze potential areas for loss, make recommendations for insurance coverage and find the best fit for the client.

For comments, suggestions, or questions about this newsletter, please contact:
Christine Tenove at ctenove@lloydsadd.com or 780.930.3818.

