

YOUR Business

Fall/Winter 2001



Keep premiums down; help stop fraud

Pick up your newspaper and you can read about the fraud schemes throughout New Jersey. Industry estimates reveal insurers paid out more than \$110 billion in **phony insurance claims** in the 1990s. These scams lead to increased premiums for the typical consumer—an average of \$200 each year.

Fraudulent claims range from staged accidents and premeditated conspiracies to padding values of damaged property or staying home a few extra days from a work-related injury.

Anti-fraud measures taken by legislators, regulators and industry coalitions are increasing, and penalties are getting tougher. But, it's up to all of us to stop insurance fraud. Take an active role in reporting any suspicious or fraudulent activities you know of, and you may save your bottom line. If you suspect fraud, call the Department of Banking and Insurance at (877) 55-FRAUD.



New Jersey makes running your business easier

Whether you're a sole proprietorship or a large corporation, a start-up or an established firm, the "My New Jersey" Web site will guide you to the services, forms, regulations, data, resources and other information you need to do business in the state.

Logon to **www.state.nj.us** and click on the "New Jersey open for business" link. Here you can select from information on starting a new business, relocating a business to the state, doing business with the government and more. Check it out.

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How are you using certificates of insurance?

Often in the usual course of business, cities, counties, large organizations and risk managers require that businesses produce a certificate of insurance that attempts to create an obligation not contained in the actual insurance policy. Commonly, the organization will request that it be added to the business' policy as an additional insured or be notified a chosen number of days in advance should the policy be canceled.

If this happens to you as the insured, you may request any provisions that your certificate holder requires. If your insurance company agrees, then an appropriate endorsement to your policy can be drafted to include the agreed language.

Certificates of insurance **only provide information** to an interested third party that insurance is in force at the time of issuance. Certificates cannot be used to amend, expand or otherwise alter the terms of the actual policy. Think of a certificate as a snapshot of your coverage at that moment. It cannot be used to change your coverage.

If you have any questions about certificates of insurance and what they can and can't do, call our agency. We'll be happy to explain.

Traveling for work? Don't forget insurance coverage

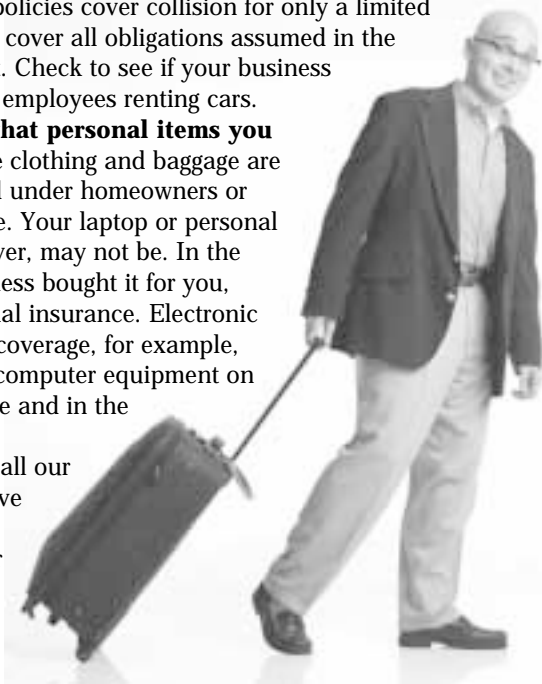
As you plan for your next business trip, don't forget to **take insurance coverage along** with you. If you take multiple business trips for your employer throughout the year, it's a wise idea to evaluate what's protected.

Review your health insurance policy to see how well you're covered while away from home. Personal health insurance usually travels with you. But we'll help you answer any specific questions on this.

Renting a car? When you drive a rented car for business use in the United States or Canada, don't assume your personal auto insurance policy will cover you for both liability and collision. Some policies cover collision for only a limited time, and do not cover all obligations assumed in the rental agreement. Check to see if your business policy will cover employees renting cars.

Consider what personal items you value. Items like clothing and baggage are typically covered under homeowners or renters insurance. Your laptop or personal computer, however, may not be. In the event your business bought it for you, you'll need special insurance. Electronic data processing coverage, for example, insures all your computer equipment on the road, at home and in the office.

As always, call our agency if you have coverage questions before your trip. And have a great time.



Lawsuits—a threat to any business

Sexual harassment. Emotional distress. Discrimination. Wrongful termination. Invasion of privacy. Employers increasingly face the threat of lawsuits in today's business environment. The reality is, any legal action, whether well-founded or frivolous, threatens the financial welfare of your business.

Don't rely on your general liability policies for employment-related claims. General liability policies are not designed to cover specific discrimination or breach of contract claims, and other exclusions may also apply. For example, most GL policies exclude wrongful discharge and discrimination claims brought by past, present or prospective employees.

EPLI, or **employment practices liability insurance**, is a specialized protection that provides coverage for employers, directors and officers for suits by employees. Coverage and cost varies given the type and size of operation, and the account's employment practices. Location also has a distinct impact on coverage because part of the employer's liability is determined under state law.

Safeguard your business against the very real possibility of employee claims. Call our office today to find an EPLI policy that works for you.

Violence in the workplace: A growing concern

That could never happen here at our company! Or could it?

Workplace violence and drug abuse is plaguing American businesses, both large and small. Approximately 1 million workplace crimes are reported each year, and experts say that another 1 million crimes are left unreported. Many of these incidents are directly related to employee drug abuse. As a result, employers are starting **workplace substance abuse programs** that include the following five components: 1. a written substance abuse policy that details prohibited substance abuse-related behaviors and the consequences of violating policy; 2. training for supervisors so roles in implementing the policy are understood; 3. education for employees on the dangers and impacts of substance abuse at work; 4. employee assistance; and 5. drug and alcohol testing.

Employers should also take preventative measures against violence such as limiting access to the workplace, improving lighting and visibility, training employees and installing security.

Many factors may trigger violent actions—layoffs, disciplinary actions, firings or pay cuts—and, in some cases, workplace violence accompanies domestic violence. This is why it is extremely important for all companies to take preventative measures against workplace violence.

Conduct **background checks** on new hires to determine if the person has been involved in a workplace attack or displays violent or unreasonable tendencies. Implement **crisis training** to help employees resolve conflicts peacefully and prevent incidents of workplace violence. Conduct **exit interviews** to give fired employees an opportunity to express their feelings. Establish realistic **disciplinary programs** for employees who assault or threaten

other employees—and stick to them! Finally, **don't ignore threats** against your business or an employee.

Proper precautions and informative safety policies will help reduce losses and make for a healthier workplace.

Call us today to review your current procedures and coverages—we're here to help.



Employee benefits—more than money

If you have employees, then **salaries, wages and benefits** are a large part of your monthly expenses. You want to make sure you are getting the most productivity for your money. While most employees are productive when their pay is tied to their performance, you may run into situations where this is not the case. When it comes to employee retention, big companies can throw money at the problem. Chances are, you can't. Consider some of these alternatives.

- **Give flexibility.** For some employees, flexible schedules can be a valued perk. Offer four-day workweeks, with 10-hour days. Or allow commuters to work from home when possible.
- **Offer employees a casual dress code.** Ask that your employees wear clothing that is clean, untorn and free of offensive slogans or graphics.
- **Share the perks of your business.** Is there an aspect of your business that you could turn into an inexpensive employee benefit? For example, one music-related apparel and accessories store reimburses employees for tickets to music concerts.
- **Do fun stuff.** CEOs and employees alike need ways to blow off steam. Take your staff to a baseball game or on a picnic. Some companies offer travel, such as a cruise to the Bahamas, to salespeople or even the entire staff if sales or profit goals are met.
- **Feed employees' bodies.** Provide monthly in-house luncheons for the company, or bring in dinner when your staff is working late.
- **Offer advancement opportunities.** One of the best incentives for ambitious people is opportunity. Provide a well-defined career track, with specific criteria for raises and advancement.
- **Pat people on the back.** Few perks are cheaper, easier or more effective than recognition.



Is my home-based business covered under my HO policy?

Many **small business owners** assume their homeowners policies will provide adequate protection. The fact is homeowners policies simply weren't designed to cover the business use of the home.

Most homeowners policies have a \$2,500 on-premises limit for business property. A typical home-based business might easily have several thousand dollars of equipment or inventory. It is also important to remember that no coverage is provided for lawsuits resulting from your business under your homeowners policy.

What would happen to your in-home business if a disaster destroyed your billing records and other important files? Or if you were faced with a legal liability such as a client injuring himself in your home?

Home-based business owners should have **coverage for liability, business interruption, accounts receivable and valuable papers**. These business exposures can be covered in a variety of ways.

Give us a call. We can discuss the kind of coverage that will best safeguard your business.

Independent insurance agents—personal service, professional advice

Independent insurance agents are a cut above the competition. That's because we work for you, the insurance consumer. A professional agent will meet with you, listen to your insurance needs and look around for insurance products specifically tailored to your priorities.

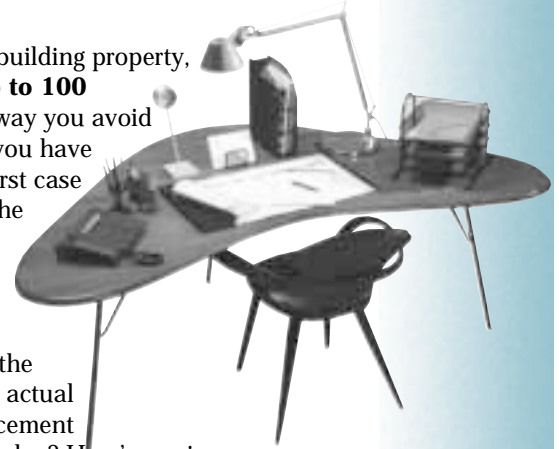
One-company agents can't access the variety of products and services available to independent agents. Let us shop for you!

Isn't it reassuring to know one of your neighbors, working in your community, will help you protect what's important?

Independent agents offer you professional advice and personal, face-to-face service. We're here when you need us, and we're on your side. Call us today.

How much do you 'value' your property?

When it comes to your building property, we recommend **insuring up to 100 percent of its value**. That way you avoid coinsurance penalties, and you have an adequate limit for the worst case scenario. But having made the assumption that buildings will be insured to their full value, the next question is this: What do we mean by *value*? Are we talking about the property's replacement cost, actual cash value, functional replacement cost, book value or market value? Here's a primer:



- **Replacement cost** is the value at the time of loss associated with using comparable materials of the same quality to replace the damaged property with no deduction for depreciation. A commercial policyholder usually must specifically request this valuation basis for insuring buildings.
- **Actual cash value** is normally the default basis for insuring buildings. One way to define actual cash value is replacement cost less depreciation, where depreciation may mean obsolescence as well as actual physical depreciation.
- **Functional replacement cost** is the cost to replace a building with a functionally equivalent building rather than an identical building. This valuation basis permits a policyholder to take advantage of the lower premiums that are charged to insure a functional equivalent, without the extras deemed unnecessary to the policyholder's operations at that premises.
- **Book value** is an accounting value having no relevance to insurance values. Often, book values are distorted by accelerated depreciation under Internal Revenue Service rules.
- **Market value** rarely is a factor when setting insurance limits, unless it is reduced by the value of the land it sits upon, and the resulting value is used to help determine the actual cash value.

Which valuation basis is best for your building(s)? Give us a call; we can talk about it.

Why long-term care will work for you

As you plan for the future, consider **long-term care insurance** to protect you and your family. LTC insurance policies cover costs of home nursing care, assisted living facilities and other care centers due to illness, accident or simply because of age.

Almost half of everyone age 65 or older will spend time in a care facility or will require LTC at home. The cost of home care or assisted living facilities ranges from \$30,000 to \$80,000 annually. That's a substantial amount for the ill-prepared to pay when the time comes.

LTC is also a great way to protect your family business' assets. In a family business, the younger family members may want the corporation to buy LTC protection for older family members who are big stockholders. Why? So their stock won't be endangered by potentially overwhelming LTC costs.

Businesses can purchase LTC insurance and write off a portion of the premium as a business expense. Talk to us today to put your LTC insurance in place.