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BUSINESS AND PERSONAL INSURANCE



Risk Manager

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Endorsements and your business

Companies may be hard-pressed to find affordable insurance policies that meet all of their business needs and objectives. Businesses concerned with stretching coverage

over a wide array of possible risks could potentially broaden those policies by obtaining *endorsements*. Endorsements address *exclusions* and

limitations under a basic insurance program. There may be many choices available for filling gaps in coverage.

Let's review a few options that may help provide some additional protection:

- *Contingent Business Income Insurance*. A company's revenue flow could be greatly stemmed in the event a fire, storm, or other disaster halts any link in the

chain of production, e.g., manufacturers, suppliers, and distributors. Contingent business income insurance covers a business for losses that occur under such circumstances.

- *Accounts Receivable Endorsement*. Suppose a business's accounts receivable records are destroyed by fire or other calamity. An accounts receivable endorsement covers a business for any amounts that are uncollectable as a result of the loss, as well as for the costs of collecting the accounts and recreating the records.
- *Peak Season Limit of Insurance*. During a company's most productive season(s), higher levels of inventory may need to be maintained to cover increased sales. However, if a catastrophe were to occur, the losses sustained could exceed the amount of insurance carried. A peak season limit of insurance endorsement covers a business for a higher limit of

coverage during its particular period(s) of high demand.

- *Spoilage Coverage*. Businesses that handle perishables must often maintain controlled conditions to prevent spoilage. A spoilage coverage endorsement protects a business against losses caused by power and equipment failure or general contamination resulting from incidents that are beyond the company's control.
- *Ordinance or Law Coverage*. If a covered peril—such as a fire or tornado—damages a business's property to the extent that the law requires its demolition or complete renovation, ordinance or law coverage provides coverage for the loss. Individuals who own large stakes in real estate may be particularly interested in this endorsement because of the potential for strict building codes and other safety requirements.
- *Hired and Non-Owned Auto Liability*. Hired auto coverage



Did You Know

Securing your business—inside and out

You click to the local newscast on television, and just as you expected, the whole story is on. You've always thought some free publicity would be nice, but not this kind. First, they show a shot of your business, then a close-up of you talking in disbelief about the burglary of your business. Lots of questions run through your mind, and one that keeps resurfacing is, "How could I have prevented this from happening?"



Unfortunately, it is impossible to prevent every burglary or crime. They happen to the best of businesses, no matter where they are located, what size they are, or what product or service they sell. However, there are many things you can do to help make *your* business more resistant to crime.

Inside Protection

- *Lights*—Bright indoor lighting may enable the police or others in the area to notice suspicious activity inside. With this in mind, try not to let window displays block the view from the street.
- *Strategic placement of goods*—To prevent a burglar from working efficiently, position valuable products or money around the office (rather than all in one place), and keep them far away from exits.
- *Alarm system*—It may be best to have a silent alarm that directly alerts the police station or a private security agency. However, even an on-site alarm that rings loudly can scare off burglars or attract the attention of someone nearby.

- *Card access system*—With this system, employees have cards that enable or restrict their access to various areas of the business. Card access—which is used mostly by large companies with many employees—may prevent break-ins after hours, as well as internal theft.
- *Video surveillance*—While cameras may not succeed in preventing a burglary, they may be useful in *identifying* and *convicting* criminals.

Outside Protection

- *Quality doors and locks*—One important precaution may be to have steel doors and deadbolt locks that resist kicking, drilling, and beating.
- *Smart landscaping*—To help minimize easy hiding spots for burglars, try not to surround your business with trees and shrubs.
- *Lights*—Make sure that lights illuminate each entrance, including windows and large vents. Protect the lights with clean plastic coverings and hook them up to an emergency power supply.
- *Alarm decals*—Even if you don't have an alarm, a sticker with the name of an alarm company may trick a burglar into believing that you do.

All too often, it takes an actual burglary to spur business owners into crime-proofing action. Ideally, improving workplace security should take place before you find yourself on the nightly news. The same goes for obtaining the proper *crime insurance* coverage. Take time to protect your business and get proper insurance coverage *before* a burglary occurs. For a review of the options available, please stop by or call us.

Grand Reopening

Whether you've worked years to establish your small business, or have just opened the doors, disasters such as hurricanes, floods, and earthquakes can be devastating. If disaster should strike, are you prepared? According to the Federal Emergency Management Agency (FEMA, 2003), only 60% of small businesses reopen after a disaster strikes their business. To help ensure this won't happen to you, give us a call. We'll be happy to review all your insurance coverage options.

Contracting with the Government

If you think your business is too small to land a government contract, think again. The Small Business Administration (SBA) reports that in 2003 the U.S. government gave almost \$10 billion more in contracts to small businesses than in 2002. The total \$62.7 billion awarded to small businesses accounted for one quarter of all federal government contracts.

"Benefit-ting" Your Business

Offering employees good health insurance benefits may help keep your employees and their families healthy. However, it can also be an expensive choice for many small business owners. According to *USA Today* (2004), it may cost you up to \$10,000 per year to offer your employees family coverage through an average health care plan.

For Your Information



International Safety

If you are a small business owner, you are probably familiar with the Occupational Safety and Health Administration (OSHA)—the division of the Department of Labor that monitors business safety. Crossing borders to encourage international cooperation, OSHA has joined with Mexico and Canada to establish www.naalcosh.org. This website offers information from the Tri-National Working Group of Government Experts on Workplace Safety and Health.

NIOSH News

It can be difficult keeping up-to-date on the latest safety news for small business owners. Therefore, you might want to consider subscribing to the e-newsletter from the National Institute for Occupational Safety and Health (NIOSH). A monthly newsletter combines recurring columns such as “From The Directors Desk” with new research and information. To subscribe to *NIOSH eNEWS*, visit www.cdc.gov/niosh.

Small Business CD

The Internal Revenue Service’s annual Small Business Resource Guide CD-ROM has been completed for 2004. It details tax changes and contains business tax forms, instructions, and publications. You can order your copy online in the business section of www.irs.gov, or you can call toll-free at (800) 829-3676.

Endorsements and your business

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protects against claims arising out of the use of vehicles leased (on a short-term basis), hired, rented, or borrowed by your business. Employers whose employees use personal vehicles for business purposes could be held legally responsible for an employee who is involved in an accident while running work-related errands. A hired and non-owned auto liability endorsement helps protect businesses against this risk.

- *Coverage for Injury to Leased Workers.* Contract or leased workers are a major segment of today’s workforce for many businesses. A

coverage for injury to leased workers endorsement on a *workers compensation* policy protects these workers for injuries sustained while on the job.

Tying Loose Ends Together

Gaps in a company’s business insurance coverage can potentially create significant risks to its operations and employees. Obtaining a few additional endorsements helps provide an added measure of protection in the event of an unforeseen catastrophe.

To help ensure that you and your business are properly covered, please give us a call. One of our qualified professionals would be happy to assist you.

Important points for business succession planning

1. Start *now*—address the issue of business succession—don’t put it off!

2. Call in your business planning and estate planning team: attorney, accountant, tax professional, and insurance professional.

3. Consider adopting *corporate* status—if you have not already done so—to help ensure your business will continue after your death.

4. With your most competent staff, decide on the most likely candidates for *successor*.

5. Once chosen, begin to train and prepare the successor to actually take over.

6. Determine a monetary value for each owner’s share and prepare a *buy-sell agreement*.

7. Set up a *business will* and perhaps *trusts*—include a management plan and a buy-sell agreement.

8. Develop an estate plan that assures the availability of cash to help pay federal and state estate taxes.

9. Fund the buy-sell agreement with *life insurance* to enable your designated successors to buy the business.

10. Communicate your plans to all affected parties including family members and other heirs.

11. Review and update your business succession plan whenever a significant change takes place.





Small business health insurance can be affordable

Health insurance is one of the most highly coveted employee fringe benefits. A good health insurance plan that balances quality and cost can help you attract and retain qualified employees. However, many employers with fewer than ten employees do not offer health insurance. Although the high cost of coverage is often a major concern, it need not prevent you from insuring your employees. In today's world, with managed care and the trend toward increased cost sharing with employees, health insurance is no longer an "all or nothing" proposition.

Assess Needs

If this is the first time you are considering offering health benefits, begin by meeting with your employees to discuss their needs. You may want to make it clear, up-front, that you may be unable to afford to meet all their needs and that they may have to share in the cost.

Research Your Options

Health insurance plans fall into three main categories:

Managed Care Plans. These plans generally restrict care to, or offer financial incentives for using, certain medical care providers and hospitals. Providers agree to limit their fees in exchange for a guaranteed number of patients. Providers generally handle all claims administration. Examples of managed care plans are *health maintenance organizations (HMOs)* and *preferred provider organizations (PPOs)*. HMOs typically provide little, if any, coverage for services by medical professionals outside the organization. PPOs allow services to be provided out-of-network, but reimbursement rates are lower than for in-network providers.

Indemnity Plans. These are the *traditional* health insurance plans. After paying a deductible, employees pay a percentage of the cost (often 20%). Once the employee has paid a maximum out-of-pocket amount, the plan generally picks up 100% of all further costs. One advantage of indemnity plans is that employees are free to choose any doctor or hospital. Employees generally file their own claims for reimbursement.



Some indemnity plans now include cost-control features, such as pre-admission reviews of hospital stays, higher deductibles, and higher co-insurance percentages.

Self-Insurance Plans. Some businesses self-fund their health insurance plans and contract with an insurance company to process the claims. This option is best reserved for large companies with financial resources available to absorb the higher risk.

Choose Your Plan

Your agent will probably provide several different proposals and quotes for you to consider. Compare both costs and coverage to determine which plan best meets your company's needs. In evaluating proposals, here are some questions to ask your agent:

- Is the insurer financially strong and reputable?
- How easy is the plan to administer?
- How quickly are claims processed and paid?
- Does the insurer provide a toll-free number for both employers and employees for questions and concerns? What hours is it staffed?
- Are all employee deductibles and penalties clearly spelled out?
- Does the plan provide adequate financial incentives to encourage employees to minimize costs without drastically reducing the quality of care?
- How will the insurer underwrite the plan—as a group policy, individual policies, or both?
- Are you likely to encounter any difficulty in renewing the policy?

Once the health insurance program is in operation, maintain an ongoing dialogue with the insurer and your agent so you can fine-tune the plan to help ensure it is providing your company with the best service possible. In today's competitive business environment, a good, cost-effective health plan can provide an edge in recruiting and retaining desirable employees. Contact our office, so one of our insurance professionals can assist you in evaluating your options.