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Risk Manager

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Little-known facts about flood insurance

FloodSmart.gov, the official site of the National Flood Insurance Program (NFIP, 2010), reports that flood losses during the ten-year period of 1994 to 2004 totaled more than \$2.4 billion dollars. Considering its relatively low cost and accompanying peace of mind, **flood insurance** may be a valuable addition to your business insurance program. Be sure to remember the following facts when considering flood insurance:

- **Floods can occur anywhere.** Your business doesn't have to be located near water to be flooded. Storms, melting snow, hurricanes, backup due to inadequate or overloaded drainage systems, and dam or levee failure can all cause floods. According to FloodSmart.gov, one-third of flood insurance claims paid last year were for policies in areas with low flood risks.
- **Other policies do not cover flood damage.** Property insurance generally excludes damage

caused by flooding. To protect your business location and belongings from flood damage, you can purchase a policy backed by the NFIP. Coverage for non-residential property is available for up to \$500,000 for the building and \$500,000 for contents.



Coverage for limits greater than these is generally available on an excess basis from insurers that specialize in such coverages.

- **Flood insurance is available everywhere.** It doesn't matter whether your flood risk is high, medium, or low, insurance is available as long as your community participates in the NFIP program. You can determine eligibility at www.floodsmart.gov.
- **Low-cost policies are available for low to moderate risk.** According to FloodSmart.gov, a preferred risk policy through the NFIP covering both a non-residential building and its contents may start as low as \$557 per year.
- **Contents coverage is separate.** Coverage on the building itself is separate from contents *inside* the building. Therefore, contents coverage is not automatically included and must be requested separately. This also means that

Did You Know?

The basics of small business health insurance

Health insurance is one of the most important benefits a company can offer to its employees. A good health insurance plan that balances quality and cost can help you attract and retain qualified employees. However, many small employers do not offer health insurance. Although high premium costs 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. But, by getting their input, you may be able to find an insurance plan that is appropriate for both your business and your employees.

Research Your Options

Basically, there are three types of health insurance plans:

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 (or Fee-for-Service) Plans. These are the traditional health insurance plans. After paying a deductible, employees pay a percentage of the cost of health care services. 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 include cost-control features, such as pre-admission reviews of hospital stays, higher deductibles, and higher co-pays.

Self-Insurance Plans. Some businesses fund their own health insurance plans and contract with a third-party administrator to process the claims. This option may be appropriate for large companies with significant financial resources.

Choose Your Plan

A knowledgeable agent can provide you with several proposals and quotes so that you may determine which plan best meets your company's needs. In evaluating proposals, consider the following questions:

- Is the insurer financially stable and reputable?
- Is plan administration easy or complex?

Lowering Health Care Costs

Employers are striving to control rising health care costs, according to the National Business Group on Health (NBGH). Their 2010 survey found that 83% of companies have made or plan to make major changes to their health care strategy within the next two years, and 66% plan to offer incentives for employees to complete a health risk appraisal, up from 61% in 2009.

Business Owners and Retirement

Many small business owners, especially those with the smallest businesses, women, and members of minority groups, could do more to plan for retirement, according to a 2010 study by the U.S. Small Business Administration (SBA). Results showed that only 36% of entrepreneurs own an IRA, and only 18% participate in a 401(k)/Thrift plan. Owners of larger and more profitable businesses and those with more than one business were more likely to contribute to retirement accounts.

Motivating Female Employees

Corporate social responsibility (CSR) can be a strong motivator for female employees, according to a 2010 survey by the Simmons School of Management. Over 75% of female respondents reported that their career needs include "making a positive impact on society" and "expressing and acting in line with my values." However, 45% said they were unaware of their organization's CSR opportunities, and only 35% reported participating in CSR activities.

For Your Information



Emergency Management

The Federal Emergency Management Agency (FEMA) seeks to help business owners plan ahead for emergency situations in order to help them limit injuries and damages and return more quickly to normal operations. *The Emergency Management Guide for Business & Industry* provides step-by-step advice on how to create and maintain a comprehensive emergency management program. For more information, visit www.fema.gov/business/guide.

Licenses and Permits

All businesses need licenses or permits to operate. These can range from basic operating licenses to very specific permits, and regulations vary by industry, state, and locality. Business.gov offers a Permit Me tool, which helps small business owners determine which Federal, state, and local permits, licenses, and registrations are needed, as well as links to web pages, application forms, and instructions. For more information, visit http://api.business.gov/license_permit.

Doing Business Abroad

For companies that conduct business internationally, the Department of State's Authentications Office is responsible for signing and issuing certificates authenticating the business documents that will be used overseas, such as company bylaws, trademarks, transcripts, distributorship agreements, and articles of incorporation. The State Department website includes detailed information about authentication requirements and procedures. For more information, visit www.state.gov.

In the aftermath: ordinance or law endorsement

Imagine that a sudden fire swept through the building that once housed your business, destroying over half of the property and its contents. After such a catastrophe, you learn that local ordinances require you to demolish the remainder of the building. The building inspector also informs you that the building cannot be reconstructed exactly as it was before the fire because that would violate current building and zoning codes. At this point, you may need to cover significant expenses to get your building back and your business back up and running. Do you know if your insurance will help cover the cost?

Generally, basic commercial property policies exclude coverage for building updates, repairs, or demolitions mandated by public law or ordinance. This can leave a costly gap in your coverage, even if you are only required to add a sprinkler system or make other minor changes to meet current building codes. The cost of meeting accessibility requirements as stipulated by the Americans with Disabilities Act (ADA) is also

generally excluded under basic commercial property contracts.

To fill this gap, you may want to consider adding an **ordinance or law endorsement** to your policy. In the event that your building is damaged by an insured peril, an ordinance or law endorsement can provide coverage for the following:

- the cost of construction necessary to comply with current building codes
- the cost of demolishing the undamaged portion of the building
- the cost of rebuilding the undamaged portion that was demolished

Your building may have met all existing laws and ordinances when it was constructed, but codes change over time. As a building owner, an ordinance or law endorsement could prove to be a valuable addition to your insurance coverage. Even if you rent your building, you may need such an endorsement. Stop by or give us a call if you would like further information on ordinance or law endorsements.

The basics of small business health insurance

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- How quickly are claims processed and paid?
 - Does the insurer provide a toll-free number for employers and employees who have questions and concerns? If so, what are the hours of availability?
 - Are all employee deductibles and penalties explained clearly?
 - Does the plan provide adequate financial incentives to encourage employees to minimize costs without reducing quality of care?
 - Will cost be determined via pooled loss history with similar businesses or your own business's group experience?
 - What about renewing the policy?
- Once the health insurance program is in place, maintain an ongoing dialogue with the insurer and your agent to help ensure your company receives the best service possible. In today's competitive business environment, a cost-effective health plan can provide an edge in recruiting and retaining employees.



What is environmental impairment liability insurance?

Evolving attitudes, new legislative and regulatory initiatives, and ongoing product and process innovations continue to create environmental compliance concerns for today's business owners. Since pollutants are surprisingly common and exist in different forms, most businesses, regardless of whether or not they handle hazardous materials, have some type of environmental liability. However, a general liability policy may not provide sufficient protection for changing environmental rules and regulations. For many businesses, obtaining **environmental impairment liability insurance** coverage—which may be obtained through a separate policy or a specific endorsement—may be a necessary component of a comprehensive risk management plan.

Environmental impairment liability insurance can protect your business from environmental damage caused by contaminants released into or on land, the atmosphere, or any watercourse or body of water. These policies may cover the expense of both on- and off-site environmental cleanups mandated by the government; bodily injury or property damage liability; defense costs for environment-related lawsuits; business

interruption costs; loss of value of third-party property as a result of contamination; and liability of parties contracted by your business.

How Can You Be Sure?

Environmental problems can surface from previous business actions unknown to you. There may be existing pollutants on your property, or your company's disposal procedures may be inadequate. Environmental liabilities often have unlikely origins, and there may be no indications that particular problems exist. Consequently, consider the following steps to help minimize the risk of environmental liabilities to your business:

- 1. Evaluate your history.** Check for problems, both past and present, on any land your company owns, and be cautious when purchasing new sites.
- 2. Examine your risks.** What chemicals do you use? If you have a subsidiary company, what chemicals does it use? Do you store hazardous materials on site? What are your disposal procedures? These are just a few of the questions to consider when assessing your overall risk.

- 3. Create an emergency procedure.** Create a detailed plan for handling potential accidents and train your employees accordingly. Keep the plan accessible at all times and store a copy at an off-site location.
- 4. Be aware of Federal, state, and local regulations.** These may vary according to area and type of business. Also, be sure you understand reporting requirements in case of an accident.
- 5. Report any accidents immediately.** Notify the appropriate regulatory agencies of any accidents that may lead to environmental contamination. Begin containment and cleanup immediately. Also, give us a call so we can begin working on your behalf.

Businesses of all types and sizes can face pollution liability, the effects of which could be devastating to a company's finances and its ability to continue business operations. While some businesses may need an endorsement to their general liability policies, others may need separate environmental impairment liability coverage for full protection. Please feel free to contact one of our qualified insurance professionals.

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renters can insure their belongings, though their maximum available coverage may be less than what is available for owners.

- **There is a customary 30-day waiting period.** Plan ahead so you have flood insurance before you

need it. There is typically a 30-day waiting period before coverage goes into effect.

Keep in mind that Federal disaster assistance, generally offered in the form of loans, is only available if the President declares a disaster, which may or may

not occur when flooding hits your business. However, a flood insurance policy can cover the cost of damage by flooding whether or not a disaster is declared.

Feel free to give us a call for more information.