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## Risk Manager

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### A commercial umbrella for when it pours!

In today's increasingly litigious society, business owners must be prepared for the possibility of lawsuits against their businesses regardless of size, location, or business type. A lawsuit could involve large legal fees, as well as a possible jury award for medical expenses, pain and suffering, or any number of grievances. In addition, negative publicity and lost time resulting from court-related activities contribute to the consequences of such lawsuits.

As the adage warns, when it rains, it pours. As a result, a **commercial umbrella liability policy** is essential for so many businesses. A commercial umbrella provides protection in million dollar increments above the required liability limits of your **commercial general liability, auto liability, and employers liability (workers compensation)** policies.

#### *How the Umbrella Works*

Umbrella coverage takes effect when the limits of your underlying policies have been exhausted. An

umbrella may also cover situations your current business policies may otherwise exclude. The typical commercial umbrella policy may offer extra protection for legal defense expenses, losses occurring outside the U.S., and personal injury or property damage claims. In addition to covering the named insured, a commercial umbrella may also protect your executives, your employees, your stockholders, and those whom you agree to protect under a written contract, at least to the extent that losses occurred within the scope of business duties.

Bear in mind that while umbrellas provide for losses and liabilities above and beyond the scope of other insurance, certain exclusions may still apply. In most cases, you will be expected to maintain your underlying insurance, without alterations in terms or conditions, during the term of the umbrella policy. You may also be required to carry certain amounts of insurance in these underlying policies in order to qualify for an

umbrella. However, the cost for your umbrella coverage will likely be lower if your primary deductibles or policy limits are higher.

#### *Regular Reviews Are Important*

Be sure to review your insurance policies regularly because the amount of umbrella coverage you need may change over time. For instance, changes in your underlying policies, such as new **exclusions** or **limitations**, may leave gaps in your umbrella coverage. Also, inflation and ever increasing legal awards often necessitate an increase in coverage. Fortunately, any additional million dollar increments in coverage will likely cost less than the first million.

Your primary insurance may not always provide the protection you need—especially when an expensive court settlement is involved. Please contact us for more information on how a commercial umbrella can help protect your business from lawsuits and other catastrophic losses.

# Did You Know?

## Assessing business risks

Business insurance and risk management programs are designed to help reduce and control costs. In assessing the risk exposures particular to *your* business, you should consider *what* can go wrong and *how* such events might affect the running of your business.

Risk exposures generally fall into three categories: direct and indirect property losses; loss of income attributable to property losses; and liability losses of a general, statutory, or contractual nature.

Renewing policies without taking a fresh look at risk exposures may prove costly. For example, if a business has grown, coverage limits that were adequate at one time may not meet *current* requirements. Furthermore, changes in the nature of your business may mean that additional *types* of coverage should be considered.

It may be helpful to enlist both management *and* employee input when evaluating your business. Often, daily familiarity with specific areas of operation can make one person aware of potential risk exposures that may seem



insignificant to someone with a different perspective. Also, an examination of past loss patterns can help you determine how successful your loss control strategies have been in the past.

### *Where Should You Start?*

Here are some questions you might ask to help determine the adequacy of your current coverage:

- What is your product or service, and to what extent could using it harm someone?
- Does your business own or lease property?
- What is the current replacement value of the property used in your business?
- Does the location of the property make it susceptible to particular hazards (e.g., high crime area, flood plain)?
- Does the use of the property entail unique risk exposure?
- Is your business involved in storing or transporting goods?
- To what extent is your business dependent on a major supplier or major purchaser?
- How would different types of property loss affect your ability to get your business back up and running?
- How central is computerization and data management to the operation of your business?
- How does “down time” translate into cash flow drain and lost earnings?
- Do any of your contracts or leases require you to assume liability for another party(ies)?

While by no means a complete list, these questions can serve as a starting point for assessing your risk management program. Usually, the parameters of property exposure will help uncover the areas of income and liability exposure that need to be addressed.

### *Consumer Safety Concerns*

Many American consumers are concerned about product safety, according to research by legal information services provider Thomson West. Results revealed that 61% of respondents are worried or very worried about product safety, and 73% have owned a product that has been recalled. As a result of the recall, 65% returned the product for repair, replacement, or refund; 35% discarded the product; 5% just stopped using the product; and 8% continued using it.

### *Rewards for Healthy Lifestyles*

In an effort to control rising health care costs, employers are offering financial rewards to workers for adopting healthy lifestyles, according to a survey conducted by human resources consultancy Watson Wyatt and the National Business Group on Health. Results indicated that 46% of respondents currently offer financial incentives to encourage employees to monitor and improve their health. By 2009, some 72% of large employers plan to offer economic incentives for healthy behaviors.

### *Reduced PBGC Benefits*

While most retirees who receive benefits from the Pension Benefit Guaranty Corporation (PBGC) are paid the full amount they earned under their employer's failed pension plan, the percentage of those who receive less than full entitlement increased 10% between 1999 and 2006, the PBGC reported in the Pension Insurance Data Book. In 2006, 84% of participants were found to be receiving full benefits, compared with 94% in 1999. The average reduction in benefits in 2006 was 28%.

# For Your Information

## Retirement Made Simpler

A coalition of advocacy, regulatory, and policy organizations, including the AARP, the Financial Industry Regulatory Authority (FINRA), and the Retirement Security Project (RSP), Retirement Made Simpler, encourages employers to help their employees better prepare for retirement. The campaign has developed tools and information to educate companies about automatic 401(k)s. For more information, visit [www.retirementmadesimpler.org](http://www.retirementmadesimpler.org).

## IRS Tax Calendar

The IRS Tax Calendar for Small Businesses and Self-Employed is available at [www.irs.gov](http://www.irs.gov), and the first five copies are free. This yearly wall calendar highlights useful information on general business taxes, IRS and SSA customer assistance, electronic filing and payment options, business publications and forms, and common tax filing dates. Each page includes tax tips with room on each month to add notes, state tax dates, or business appointments.

## SSA Business Services Online

Business Services Online (BSO) enables organizations and authorized individuals to conduct business with and submit confidential information to the Social Security Administration (SSA). Registered users can report employee wages on W-2 forms; view the processing status and error notices for wage files and/or wage reports; verify employee name and Social Security numbers; and provide business taxpayer identification information. For more information, visit [www.ssa.gov/bsa](http://www.ssa.gov/bsa).

## Do you know the health and safety laws for working teens?

Every industry has its unique occupational hazards. For instance, food service jobs may expose workers to slippery floors, hot cooking equipment, and sharp objects. Janitorial work may include contact with hazardous chemicals. Even retail workers may risk injury with duties that involve heavy lifting. In many workplaces, teens are more prone to accidents than older workers, given their biologic, social, and economic characteristics.

To protect your business and your staff, it may be wise to brush up on the laws protecting the safety of working teens. For starters, employers are required by law to provide *all* workers, including teens, with the following:

- A safe and healthful workplace.
- Safety and health training, especially regarding chemicals.
- Paid medical care and sick leave for certain job injuries.

### Laws Regulate Ages, Hours, and Risks

Federal and state labor laws generally regulate the number of hours, schedules, and types of work teens are allowed to perform. Limitations for adolescents age 14 and 15 may be more stringent than for those age 16 and older. For instance, teens under age 16 may face restrictions on the maximum number of hours they can work each day and week depending on whether it is a school day and school is in session. (However, the laws do make exceptions for students in work experience programs.)

Age limits are usually set for dangerous work. For example, workers generally must be age 18 or older to drive a motor vehicle, operate most power equipment, and work in certain occupations such as

wrecking, excavation, and roofing. Typically, no one age 14 or 15 may work in construction, in warehouses, on ladders or scaffolds, or as a baker or cook. Also, those under 16 may not unload trucks, conveyor belts, or railroad cars. Restrictions for other types of work may also exist.



### Practices to Help Prevent Injuries

To encourage a safe work environment, employers should teach teens about basic safety habits and educate them on how to handle an emergency. Direct them to follow all safety rules and instructions and to wear protective gear, as needed. Point out that a *clean* and *tidy* work area is more likely to be a *safe* work area. Post safety and training materials in more than one language, if necessary, and inform teens to promptly report safety and health hazards to their supervisors.

Many injuries among young workers can be prevented with industry-specific health and safety training, and adherence to safety laws. For more information on the regulations, potential concerns, and liabilities of employing teens in your business and state, visit the Department of Labor (DOL) website devoted to working teens at [www.youthrules.dol.gov](http://www.youthrules.dol.gov).





# Risk Manager

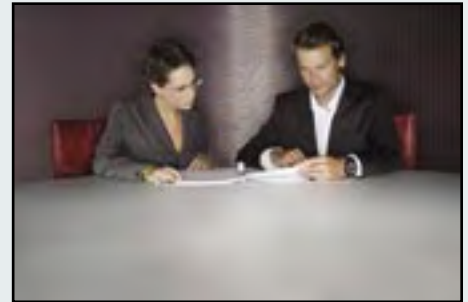
## Assessing business risks

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### We Can Help You

Once you know the scope and magnitude of the risk exposures specific to your business, you can begin to design an effective risk management program. While various types of insurance may play a central role in your strategy, eliminating or reducing risk should also be considered integral parts of a complete program.

Things can change quickly in the business world, and sometimes, it may be easy to fall into a false sense of security. By meeting with one of our qualified insurance professionals, you can assess how your business is growing and changing, thereby assuring your risk management program will continue to meet your needs.



## Ergonomics programs can help improve productivity

As a business owner, did you know you can take the lead in cutting costs by establishing an ergonomics program? Ergonomics is the science of fitting job tasks, equipment, tools, and the work environment to workers' needs.

Why wait until you have a major **workers compensation** claim on your hands before implementing an ergonomics program? Work-related injuries and illnesses cost employers billions of dollars each year. The Occupational Safety and Health Administration (OSHA, 2003) estimates that as many as one-third of these claims are linked to **musculoskeletal disorders (MSDs)**—such as carpal tunnel syndrome—caused by repetitive stress or sustained physical exertion. MSDs are known collectively as **cumulative trauma disorders (CTDs)**.

### Where to Begin

To start tackling ergonomic concerns, appoint a committee representing management and any relevant departments, such as human relations, engineering, and health and safety. Be sure to include

employees from various work areas who perform repetitive or hazardous tasks. One of the committee's main tasks should be to draft a policy outlining the program's objectives. They should also require progress reports for ergonomics projects and review them once the projects are underway.

Identifying potential hazards is not difficult. Records of injuries, accidents, absenteeism, and workers compensation claims can shed light on problem areas. Also, solicit input from employees—a lot can be learned from workers' complaints. Another approach is simply to observe employees at work. Many workplace conditions that lead to musculoskeletal disorders are easily spotted. For instance, check that workstations have proper height, depth, and clearances. In addition, note jobs that involve repetitive operations, or require excessive force or awkward body positions.

### Safe Work Procedures

Teach employees to recognize the early signs and symptoms of cumulative trauma disorders. Train them to be

aware of ergonomic principles and to follow safe work procedures. Review workstation setups and, if necessary, redesign them with safer, more comfortable equipment to reduce the amount of physical strain they cause. Allow workers who perform repetitive tasks to rotate duties or take periodic breaks.

If you witness signs of hazardous conditions or receive employee complaints, obtain medical assistance immediately. Untreated symptoms may progress to more serious conditions. The sooner a problem is detected, the better it can be managed.

Implementing a program of sound ergonomic practices *before* problems occur can save thousands of dollars in workplace-related disorders and workers compensation premiums. It can improve productivity, as well.