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Risk Manager

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Making your business more energy efficient

Low energy prices over much of the last two decades have permitted U.S. companies to put improving energy efficiency near the bottom of their lists of business priorities. Badly insulated buildings have been allowed to leak heat, computers and other equipment have been left on when not in use, and sales reps have been allocated company cars that guzzle gas. While these inefficiencies may have had relatively little impact on the bottom line while energy was cheap, they have been cutting into profits significantly since the recent surge in oil and natural gas prices.

Taking the steps necessary to ensure your facilities, equipment, and vehicles are energy efficient is certainly an investment, but it is one that can bring substantial dividends. By upgrading to energy-efficient equipment and improving energy management practices, businesses can reduce their energy costs by at least 20%, according to environmental consultancy www.greenbiz.com.

Arranging an Energy Audit

If you have not recently conducted an energy audit of your business, now is a good time to do so. Contact your energy utility to find out if they offer on-site visits from technical consultants or account managers, who can inspect your facilities and equipment and make recommendations about how you can reduce your energy use.



You may find that your utility company, and often your state and local governments, offer incentives and rebates to businesses that upgrade to more energy-efficient equipment. Many utility and energy


service companies have performance contracting or shared savings programs, which enable businesses to buy energy-efficient machinery and systems without investing capital upfront. The new equipment is paid for over a number of years out of the energy savings generated.

In addition, you may be eligible to take advantage of specialized services, such as the U.S. Department of Energy's Industrial Assessment Centers program, which performs industrial assessments and energy audits for small and medium-sized manufacturers at no cost to the business owner. Government agencies or nonprofits may also provide professional expertise to smaller companies.

Simple Energy-Saving Measures

Before you bring in the experts, you may want to conduct your own informal audit, which should expose some areas in which you can start saving energy immediately. You can use online tools provided by your utility or www.energyguide.com

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Did You Know?

Employee fraud: costly problem, low cost solution

Small to mid-sized businesses are often vulnerable to employee fraud because they tend to place more trust in employees who have access to company assets, and they generally have fewer financial and security controls in place. The most commonly targeted assets are cash, tangible assets, intellectual property, and time.

Cash. Funds are often stolen through forgery, check manipulation, or purchasing fraud. For instance, a bookkeeper may insert checks made out to himself among the legitimate checks presented for signature. Or, an employee could place business with an outside company in which she has a financial interest, or favor a vendor in exchange for regular gratuities or kickbacks. In one scam, an employee creates a fictitious company and embezzles funds by submitting phony invoices.

Tangible Assets. Equipment, inventories, office furniture, and supplies are often susceptible to theft through inadequate inventory control systems or weak security.

Intellectual Property. Intangible assets, such as customer lists and pricing policies, are also critical for a company's success. The theft of confidential material, including computerized data, can occur when companies fail to establish and enforce appropriate safeguards.

Time. Time theft occurs when employees simply waste time on the job. Employees also steal time when they improperly punch their time cards, thereby overstating their hours on the

job. A less obvious situation involves time lost due to fraudulent workers compensation claims.

Tips for Prevention

To help minimize *your* company's chances of falling victim to fraud, consider the following low cost tactics:

- **Conduct thorough background checks on prospective employees.** Verify all résumé information. To protect against false references, don't rely solely on the résumé for the telephone numbers of previous employers.
- **Create a code of ethical conduct.** Defining acceptable standards of behavior can be an effective deterrent in preventing employee fraud.
- **Institute financial controls.** Be sure to separate financial functions such as writing and signing checks, recording receivables, and making deposits. To prevent employees from concealing misconduct for extended periods, require short-term rotations or periodic vacations for those who handle cash. Conduct annual independent audits, including reviews of outside vendors to ensure they exist and are charging market rates for goods and services. These controls should apply to everyone, including family members and long-time employees.
- **Establish security systems to protect tangible assets and intellectual property.** Show employees that the building and grounds are monitored. Let them know that the inventory of equipment, products, and supplies is routinely audited. Change

Employees Work Sick

According to a 2006 survey by work/life balance consultancy LifeCare Inc., 32% of respondents go to work when sick because they believe it is "too risky to take time off," 25% believe others depend on them, and 12% are too busy. Others prefer to save sick time for child care emergencies (9%), vacations (5%), or elder care (3%). Only 6% of respondents indicated they do not work when feeling sick.

Women Executives Face Glass Ceiling

Just 30% of women executives and 43% of male executives believe women have the same opportunities as men in the workplace, according to a 2006 international survey by management consultancy Accenture. However, despite this perception of a glass ceiling experienced by women in the workplace, over half of both the men and women surveyed (58%) believe they are fairly compensated, or that their compensation reflects their personal achievements.

2006 Business Optimism

According to *Entrepreneur* magazine's "2006 Entrepreneur Challenges Survey," business owners are overwhelmingly optimistic about business growth this year, with 95% expecting positive revenue growth. When asked about the single most important challenge to business, no issue dominated the concerns. Among those cited were finding and retaining quality employees, increased sales and demand, business growth, the changing economy, increased costs of doing business, pricing pressures, and competition.

For Your Information

Employment Laws Assistance

The U.S. Department of Labor (DOL) now provides interactive e-tools that promote the understanding of federal employment laws among workers and small business owners. The "elaw Advisors" (www.dol.gov/elaws) ask a series of questions and, according to the responses given, provide information in an attempt to simulate interaction with an employment law expert. Topics include pay and benefits, health and safety, and youth and veterans employment.

Reduce Energy Consumption of Office Computers

According to the Environmental Protection Agency's ENERGY STAR program, using ENERGY STAR Power Management features, which come standard in Windows and Macintosh operating systems, can save \$25 to \$75 per computer in annual energy costs. These features place inactive monitors and computers into a low-powered sleep mode. For instructions on activating Power Management features and more tips on saving energy for your business, visit www.energystar.gov.

Employing an Older Workforce

As the baby boom generation enters retirement, businesses face the challenge of retaining this qualified workforce and training its successors. In response, the U.S. Chamber of Commerce has joined over 20 other organizations to form the Alliance for an Experienced Workforce. The Chamber's first project, in collaboration with AARP, will be a series of one-day employer workshops that focus on hiring and retaining workers over age 50. For more information, visit www.experiencedworkforce.org.



Employee fraud: costly problem, low cost solution

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computer passwords periodically and limit dial-up access from outside the office.

- **Create a safe channel for employees to report suspected fraud.** Set up a toll-free telephone number, post office box, or locked suggestion box to allow employees to report misconduct anonymously.

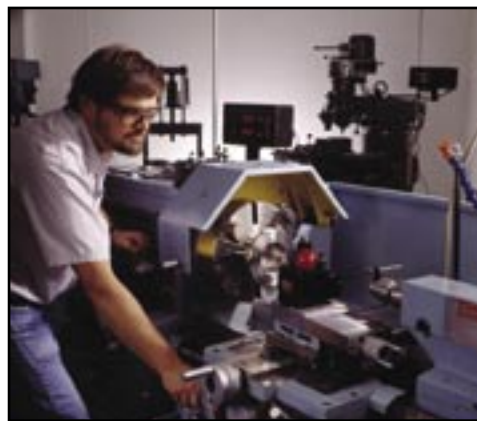
Employee fraud can be costly for your business. One of your best defenses is

to establish procedures that prevent employees from having the opportunity to commit fraud in the first place.

In addition, consider your insurance coverage. Standard business insurance policies generally exclude coverage for losses due to the criminal acts of employees. These losses may be covered, however, under an "employee dishonesty bond." We can provide more information about this valuable coverage.

Boiler and machinery insurance

When a mechanical, electrical, or pressure breakdown occurs in your business, there's no time to waste. Without the necessary equipment repairs, you may have to close shop until machines are up and running again. In addition, businesses that store perishable products also face the risk of losing inventory due to spoilage.



In such a troubled situation, the last thing you want to hear is more bad news. This is why any business that depends on machinery or other vital equipment should have a **boiler and machinery insurance** policy, which is also referred to as **equipment or systems break down coverage**. Since

commercial property insurance policies generally do not cover mechanical, electrical, or pressure breakdowns, a boiler and machinery policy is an essential addition to your insurance program.

Boiler and machinery insurance covers a wide variety of perils, including breakdowns in heating, air conditioning, refrigeration, compressors, steam boilers and steam piping, electrical systems, and much more. This valuable insurance provides for the following:

- Equipment repair
- Extra expenses incurred to get the business running again
- Business income that may be lost due to suspended business operations
- Product loss resulting from equipment breakdowns

While machinery is at a standstill, there is a good chance that your business may also come to a halt. Therefore, it's wise to inspect your equipment regularly to prevent breakdowns. Also, make sure you have the proper insurance coverage. We would be happy to review your risks and provide more information should you be interested.



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to help you perform your energy use analysis.

As one example, a stroll through your building after hours can tell you whether computers and other equipment are left on overnight. Allowing a single monitor to run overnight and on weekends can add \$30 or more to an organization's annual energy bill, according to utility company NSTAR. Employees should be instructed to turn equipment off, or put computers into sleep mode, when they leave work. You may also find that lights are left burn-

ing, or heating and cooling systems are left running, after hours or in areas of the building that are not frequently used—a problem that can be resolved by educating employees or installing motion sensors or timers. Check, too, for malfunctions in equipment that can cause machines to run inefficiently.

If you have a fleet of company vehicles, consider trading some or all of them in for more fuel-efficient models. Regular maintenance will also help to keep gas costs down. To discourage inappropriate and wasteful use of

vehicles, ask employees to keep logs of their trips and mileage.

After you have completed your analysis, you may find that adjusting habits and making even minor improvements to systems that use a lot of energy, such as heating and cooling or lighting, can produce substantial cost savings.

If you choose to make building improvements or purchase newer energy-efficient vehicles or equipment, your insurance needs may change. Be sure to give us a call to review your coverage in light of these investments.

Scrambling to stay awake on the job

If it seems that, nowadays, employees look like they have not had a good night's sleep for some time, it is probably because they have not. Employee fatigue appears to be a growing problem for many companies. As a result, pressure on employees, as well as employers, is building.

According to a 2003 survey conducted by Expedia.com (2006), 63% of American workers work more than 40 hours a week, and almost 40% exceed 50 hours per week. These longer work weeks—which are now routine and, perhaps, even expected—could lead to a hazardous situation for any business. To add to the stress, technological advances—including laptop computers, pagers, and cell phones, which make employees constantly accessible—can prevent workers from escaping their jobs at night and on weekends. Also,

the effects of restructurings, mergers, and downsizing sometimes leave employees carrying heavier workloads while they fear losing their jobs. You may soon find that workers feel like hamsters scrambling on exercise wheels that never stop.

When employees are excessively tired, poor attention and slow reflexes may lead to less productivity and efficiency. Further, if employee fatigue results in an accident involving your business, you and your business may be held liable, particularly if you knew—or should have known—that your workers were dangerously tired.

Preventing Fatigue

What can you do to reduce the risk of excessive tiredness in your workforce? To begin, recognize the problem and the extent to which it affects your

workers. Then, take steps to prevent fatigue on the job by addressing this issue in your risk management program: train your managers to watch for signs of sleep deprivation, investigate ways to adjust staffing levels so no employee is overworked, set *realistic* job expectations and assignment deadlines, and do not overlook soliciting input from your employees—as the people closest to the problem, they may have many excellent suggestions to offer.

Workplace fatigue can be a serious problem that can affect your bottom line. By helping your employees remain alert, you may not only *increase* your productivity and *reduce* your liability, but you may also prevent personal injury, property damage, and loss of life. To further protect your business, consider your liability insurance needs. Give us a call to review your current coverage.