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## Risk Manager

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### Understanding the role of the insurance professional

**B**usinesses today face a number of risks related to property and liability exposures.

Consider what might happen if your business were to experience a weather-related disaster, a burglary, a product lawsuit, or an interruption in business operations. Would you have sufficient financial reserves to recoup the losses that could result?

In many cases, businesses can be protected from risks through insurance. When considering risk management and insurance, business owners must ask themselves: What exposures are faced by my business, what is the dollar value of potential loss to my business, and how much protection does my business need? Because of the variety of insurance products available, your insurance professional can be a valuable resource to help you obtain the coverage you need to protect your business.

#### *Risk Analysis Services*

A professional insurance agent is trained in risk analysis, which in-

volves evaluating risk exposures to gauge the likelihood of loss to your business. Considering the business property you own and the specific business your company conducts, your agent can recommend specific insurance products and perhaps uncover risk exposures you may have overlooked. In addition, insurance professionals are schooled in the insurance coverage options available in your state, as well as the legislation that governs them. With this expertise, your agent can suggest options from a vast menu of risk-management products and be sure you are following all regulations concerning required insurance coverage. Your insurance professional can also amend a basic policy by adding endorsements, which alter or expand the coverage provided by a specific policy. The resulting insurance program developed by your agent will be tailored to your business's unique protection needs.

Your insurance professional can also recommend non-insurance strategies to help you manage risks

before they turn into losses. Where appropriate, your agent may suggest that your accountant and attorney be brought into the discussion to review the legal and tax implications of suggested strategies.

#### *Other Services Provided*

In addition to developing risk management strategies, your insurance professional and your insurance company may provide other important services to policyholders. These may include the following:

- **Legal defense.** Unfortunately, it's impossible to prevent the unfortunate things that happen or predict the reactions of others to business actions, products, or services. Mistakes can be made just as easily as clients can make false accusations. Liability insurance, particularly for property damage and bodily injury, generally includes legal defense at no additional charge when the policyholder is a party to a lawsuit that involves a claim covered by the policy. The legal

# Did You Know?

## 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. 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, in-

cluding breakdowns in heating, air conditioning, refrigeration, compressors, steam boilers and steam piping, electrical systems, and much more. This valuable insurance may provide 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.

## Airport safety for business travelers

In this fast-moving world, many business owners, executives, and employees often find themselves, quite literally, up in the air.

It is wise to remember that crime doesn't stop at the airport terminal doors. If your work requires you to fly, consider the following steps to protect yourself from the possibility of theft or assault.

### *Terminal Tips*

- Be wary of overly friendly strangers. A talkative stranger at the terminal could be a front for well-organized pickpockets.
  - Avoid carrying your money, credit cards, or other valuables in one
- Never leave luggage unattended. Even if you just turn your back to get a quick soda, a thief can strike in the blink of an eye.
  - Overloading yourself with luggage may prevent you from acting quickly to protect yourself. Be observant and be prepared to react quickly.
  - Know where you're going. Travelers who appear lost are primary targets for criminals. If you are lost, seek help from airline personnel, not strangers.

area of your clothing. This will help reduce the chance of being stranded if something is lost or stolen.

### *Executive Coaching*

A study by the Institute for Corporate Productivity has found that companies are increasingly using coaching programs to develop talent among executives and managers. The study's findings suggested that coaching is used less to correct problems than to help already strong leaders become more successful. Of the North American managers surveyed, 52% said their companies currently use coaching, but 37% reported that coaching programs are likely to be implemented in the future.

### *Priorities of College Graduates*

According to an annual survey conducted by networking firm Experience, Inc., priorities have shifted among college graduates evaluating job offers in 2008. When asked what factors are very important when deciding whether to accept a position, 60% of the graduates surveyed cited health care benefits, 57% said job security, 45% said retirement packages, and 42% said the commute. In addition, 20% said they would consider relocating in order to find a better job.

### *Incentives to Delay Retirement*

A 2008 survey by the Employee Benefit Research Institute (EBRI) revealed that employers may be able to offer incentives to older workers to encourage them to postpone retirement. Survey respondents indicated the following would be effective: receiving a pension while working (50%), feeling truly needed (48%), receiving full health insurance benefits while working part-time (46%), a pay raise (33%), telecommuting (38%), and part-time work (26%).

# For Your Information



## Track Energy Use

For business owners who own, manage, or hold property, the Environmental Protection Agency (EPA) has developed an interactive energy management tool to track and assess energy and water consumption across an entire portfolio of buildings. Portfolio Manager, which can be found through the EPA website at [www.epa.gov](http://www.epa.gov), can help set investment priorities, identify under-performing buildings, verify efficiency improvements, and receive EPA recognition for superior energy performance.

## \$afety Pays

The Occupation Safety and Health Administration (OSHA) has developed a tool to help employers estimate the costs of occupational injuries and illnesses, as well as the impact they have on a company's profitability. The "\$afety Pays" program uses a company's profit margin, the average costs of an injury or illness, and an indirect cost multiplier to project the amount of sales needed in order to cover those costs. For more information, visit [www.osha.gov](http://www.osha.gov).

## SBA Export Assistance

The U.S. Small Business Administration (SBA) recognizes that small businesses can benefit from expanding their activities around the world. The SBA Office of International Trade seeks to help small businesses compete in the global marketplace by facilitating access to capital for international trade, ensuring that small business interests are reflected in trade negotiations, and contributing to the government's international agenda. To find a local U.S. Export Assistance Center, visit [www.sba.gov](http://www.sba.gov).

## Understanding the role of the insurance professional

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defense provision greatly reduces the potentially high costs of litigation to the policyholder.

- **Rehabilitation services.** Insurance companies that issue workers compensation policies may provide access to extensive rehabilitation services for policyholders. Generally, these services help injured workers return to employment, and in some cases, they may even help train them for new jobs.
- **Inspection services.** Certain insurance policies may provide for property inspection by the insurance company's specialists as a part of the policy agreement. For example, since many cities require businesses to conduct regular inspections of the steam boilers in commercial buildings, boiler and machinery insurers generally provide this service.
- **Loss control services.** Some commercial insurance policyholders may also qualify for consulting services from the insuring company's loss control department. This department is staffed with engineers and safety experts who specialize in inspecting business premises; identifying

hazards, perils, and possible risk exposures; and recommending possible solutions.



- **Claim management services.** Agents and commercial insurers often provide claim management services that support the policyholder in loss analysis after an insured event occurs.

Insurance, with all its varied forms, is a complex and detailed subject. One of our qualified professionals can explain your insurance options, recommend the right coverage, and help you avoid financial loss. Give us a call if you have any questions about the services we can provide for your business.

## Airport safety for business travelers

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- Frequently check any carry-on luggage to ensure its contents are still intact.
- Check for logos and business names on business transportation vehicles. If in doubt, request to see the driver's identification.
- Finally, consider what time of day you will be returning *before* you park

your car. If you will be returning at night, remember to park where there is good lighting and preferably near the exit you will be using.

Airports can be cluttered and confusing. Following these simple steps can help make a business trip a safer and more pleasurable experience.



## Precautions to prevent employee fraud

Is your company easy prey for employee fraud? Small to mid-sized businesses are especially vulnerable 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 or herself among the legitimate checks presented for signature. Or, an employee could place business with an outside company in which he or she has a financial interest, or favor a particular 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 valuable commodities. All are 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.

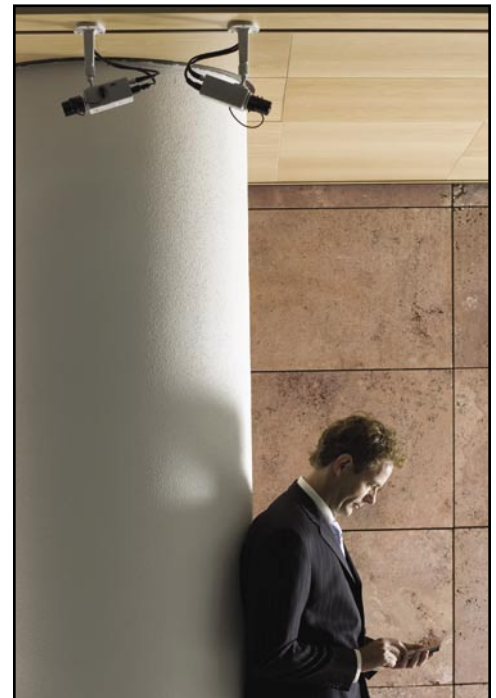
### *Tips for Prevention*

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 and request an explanation for any unaccounted time. 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.** Require employees to disclose all employment and business relationships. 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 that the company is paying 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 computer passwords monthly 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. Even the most trusted employees may be subject to temptation and lapses in judgment. One of your best defenses is to establish practices and procedures that prevent employees from having the *opportunity* to commit fraud in the first place.