

ASSESSING AND RESTRUCTURING INSURANCE AND BENEFIT COSTS

CLEAN THE SLATE: IT IS TIME TO TAKE A GOOD LOOK AT WHAT YOU HAVE AND WHY

**Just because “that’s what we always had”
doesn’t mean what you have is right.**

Let's build an insurance program from the beginning by determining your exposures to loss:

- Building
- Contents
- Loss of Income
- Liability
- Auto
- Employee Dishonesty
- Worker's Compensation

Buildings

It is your responsibility to determine if you have adequate coverage before a loss.

According to industry studies 75% of commercial buildings are insured for substantially less than their true value.

You could also be over-insured. Inflation protection has been known to pass the actual replacement cost of property over the years.

Replacement Cost and Coinsurance

On a replacement cost basis, insurance contracts require you insure to at least 80% of replacement cost value

Example:

You insure your building for \$300,000. AFTER a \$200,000 fire damage loss it is determined the replacement cost of the building is \$500,000. At 80% coinsurance you are required to carry at least \$400,000 on the building.

What happens now?

You receive a claim check in the amount of \$150,000 because you are now a “coinsurer” and that is your penalty for underinsuring.

The Math:

**Value building is insured for / 80% of the actual cash value x loss
amount
=claim check amount from the insurance company**

$$\mathbf{\$300,000 / \$400,000 \times \$200,000 = \$150,000}$$

Replacement Cost and Coinsurance

You are the coinsurer if you are underinsured.

Review your policy. Your coinsurance clause could be 80%, 90% or 100%.



Policy No:

Market Insurance Company
COMMERCIAL PROPERTY COVERAGE PART
DECLARATIONS

COINSURANCE CONTRACT

Effective Date:
 12:01 A.M. Standard Time.
 Supplemental Declarations attached.

BUSINESS DESCRIPTION									
Misc. Camps Not for Profit									
DESCRIPTION OF PREMISES									
PREM. NO.	BLDG. NO.	LOCATION, CONSTRUCTION AND OCCUPANCY							
1		Frame Museums, Libraries, Art Galleries (Non-Profit)							
COVERAGES PROVIDED — INSURANCE AT THE DESCRIBED PREMISES APPLIES ONLY FOR COVERAGES FOR WHICH A LIMIT OF INSURANCE IS SHOWN									
PREM. NO.	BLDG. NO.	COVERAGE	LIMIT OF INS. FACE	COVERED CAUSES OF LOSS	COINSURANCE	RATES			
1	1	Building	\$1,678,134	Spec Theft	BC%	INCL.			
1	1	Pers Prop	\$52,100	Spec Theft	BC%	INCL.			
1	1	Com Prop	See MCP033	See MCP033	N/A	INCL.			
1	1	SynOD	See MCP031	See MCP031	N/A	INCL.			
OPTIONAL COVERAGES APPLICABLE ONLY WHEN ENTERED APPLICABLE IN THIS SECTION TO APPLY + * EXTRA SALES COVERAGES LIMITS ON LOSS PAYMENTS									
PREM. NO.	BLDG. NO.	ACQUIRED VALUE	EXPIRATION DATE	COVERAGE	AMOUNT	REPLACEMENT COST*	PERSONAL BUILDING PROPERTY	INDUSTRY "STOCK"	PERSONAL PROPERTY OF OTHERS
1	1					X	X		
PREM. NO.	BLDG. NO.	INFLATION GUARANTEE (Percentage)		PERSONAL PROPERTY	+ MONTHLY LIMIT OF INDEMNITY (Per Annum)	MAXIMUM PERCENT OF INDEMNITY (%)	+ EXTENDED PERIOD OF INDEMNITY (Days)		
1	1	See MCP038							
MORTGAGE HOLDER(S) — APPLIES TO BUSINESS INCOME ONLY									
PREM. NO.	BLDG. NO.	MORTGAGE HOLDER NAME AND MAILING ADDRESS							
DEDUCTIBLE									
\$500. EXCLUSIONS: Building \$1,000.00, Pers Prop \$1000.00, Com Prop \$1000.00, SynOD \$1000.00									
PREMIUM									
Premium for this Location: \$ 3,035.00									

Contents

You are required to follow the same guidelines for contents coverage as for building coverage...

Insure to Value

- Don't just choose a number, create an inventory. It is important to keep this inventory updated, it is required paperwork if there is a loss.
- Coverage is often duplicated by insuring equipment separately that is already covered under your "contents" total.

Contents Extensions

Take advantage of contents extensions your insurance company provides.

Example: You determine you have \$100,000 in contents including your computer equipment. Your policy may include an extension of \$25,000 for computers which means you have paid 25% more than necessary for your insurance coverage each year. Review the extensions and/or ask your insurance agent to send you the list.

Let's review a sample of one company's content extensions



SUPER STRETCH SUMMARY

SUMMARY OF COVERAGE LIMITS

This is a summary of the Coverages and the Limits of Insurance provided by the Super Stretch Coverage form SS 04 74 which is included in this policy. No coverage is provided by this summary. Refer to coverage form SS 04 74 to determine the scope of your insurance protection.

The Limits of Insurance for the following Additional Coverages are in addition to any other Limit of insurance provided under this policy.

Blanket Coverage Limit of Insurance: \$150,000
Blanket Coverages
Accounts Receivable- On/Off Premises
Computers and Media
Debris Removal
Personal Property of Others
Temperature Change
Valuable Papers and Records- On/Off Premises

Coverage	Limit
Brands and Labels	Up to Business Personal Property Limit
Claim Expenses	\$ 10,000
Computer Fraud	\$ 5,000
Employee Dishonesty (including LRI&A)	\$ 25,000
Fine Arts	\$ 25,000
Forgery	\$ 25,000
Laptop Computers- Worldwide Coverage	\$ 10,000
Off Premises Utility Services- Direct Damage	\$ 25,000
Outdoor Signs	Full Value
Pairs or Sets	Up to Business Personal Property Limit
Property at Other Premises	\$ 10,000
Businesspersons' Samples	\$ 5,000
Sewer and Drain Back Up	Incurled Up to Covered Property Limits
Sump Overflow or Sump Pump Failure	\$ 25,000
Tenant Building and Business Personal Property Coverage-Required by Lease	\$ 20,000
Transit Property in the Care of Carriers for Hire	\$ 10,000
Unauthorized Business Card Use	\$ 5,000

Insurance Deductibles

By increasing your insurance deductibles your property premiums will be decreased. Increasing your \$500 deductible to a \$2500 deductible may save you as much as 10%.

By taking some of the risk you can improve your loss experience by paying for small losses. Claims will increase your premiums.

Loss of Income

This coverage is a time element coverage which pays for loss of earnings or income and continuing expenses when business operations are interrupted or suspended due to a covered property loss.

- Extra expenses incurred to continue operations at another location can be included.
- You should be the one to determine what is adequate coverage for your business in the event of a loss.

Liability

- General Liability
- Directors and Officers and employment related practices
- Professional Liability-including abuse and molestation

Employee Dishonesty Coverage

Many businesses have to close their doors due to financial loss because of employee dishonesty

Hundreds of billions of dollars are lost due to employee theft each year. The majority of fraud (64%) are committed by managers and executives.

- Set up policies and procedures. Employees who perceive that they might be caught are less likely to commit fraud.
- Use surprise audits so employee does not have time to hide evidence.
- Focus on high risk areas—such as those who have access to finances.
- Most importantly, insure this exposure adequately.

Auto Insurance

**Looking to save money? DO NOT lower your liability limits.
Review your physical damage coverage, age and value of
your vehicles.**

- There are no additional credit considerations for comprehensive and collision rates once your vehicles are six years or older.
- Consider removing physical damage from the vehicle if you are paying 10% or more of the value of your vehicle.

Example: Your van is worth \$5000. You are paying \$1000 for comprehensive and collision coverage with a \$1000 deductible. If you total the vehicle you end up with \$3000 after reducing the value by the cost of the insurance and the deductible. You are paying \$2000 to get \$3000.

Auto Insurance

Employ responsible drivers and set strict policies.

Accidents cost you money:

- Loss of use of the vehicle
- A liability claim with or without adequate limits
- Deductible for repairs to your vehicle
- Workers Compensation claim for injury to employee
- Increased insurance rates or cancellation

Workers Compensation

Safety First!

- Encourage staff and volunteers to participate in risk management and safe activities throughout all programs.
- Keep accurate records of losses and near losses. Learn from your experience . A loss free record will help to keep your rates down.
- You are allowed to pay first aid claims up to \$750 for your employees instead of submitting a workers compensation claim. See Employers Guide included for details.

Workers Compensation

- Volunteers are not employees and are not covered by workers compensation insurance unless specifically approved and added by your insurance company. This is costly as they are added based on what they would earn if being paid for their position.
- Volunteers should be aware that they are not employees and not covered under your workers compensation insurance. Sample waiver included.
- Consider purchasing an accident policy to cover volunteers.



COVERAGES FOR CONSIDERATION... NOT ALL ARE CREATED EQUAL

Many coverages that are available and significant to your group may not be included in your basic policy.

Medical Insurance

Medical Insurance

What is available?

- HMO and PPO plans
- HSAs (Health Savings Accounts)
- HRAs (Health Reimbursement Accounts)
 - NH HealthFirst

What is NOT?

- Association health plans

Why not?

This law has failed to pass multiple times in NH due to limited access for groups over 50 and the large number of enrollees needed to allow for plan to be successful.

Definitions

HMO and **PPO** plans are traditional health care plans where you have copayments (i.e. office visits & prescriptions) and deductibles for care such as inpatient hospital care.

An **HSA** (health savings account) is consumer driven high deductible health plan compatible with a personal savings account. You and/or your employer can deposit funds into a health savings account, to be used for medical expenses tax-free. The funds in a health savings account are owned by the employee.

An **HRA** (health reimbursement arrangement) is a funding method that gives employers the option to reimburse employees for a portion of their health care expenses. An HRA is solely employer funded and is available in conjunction with a traditional HMO or PPO.

NH HealthFirst is coming on line for small groups this October. It is a (comparatively) discounted plan focusing on wellness and responsible healthcare use.

Getting Creative

You don't have to pay the highest premium to get the best coverage for your group.

About 20% of members will meet the plan deductible while 80% will pay only the copayments.

Combining traditional and non-traditional plans can save premium dollars e.g. A higher deductible HMO with an HRA

You can set up an HRA (Health Reimbursement Arrangement) to assist employees with a portion of that higher deductible.

Example: You currently have a family plan premium of \$2000 a month with a \$1000 deductible. With a \$2,500 deductible you would pay \$1,760 a month, a 12% savings. This would be a premium savings of \$2880 a year for just one employee.

Wellness

“The leading causes of death are usually listed as heart attack, cancer, etc. However, the leading “actual” causes of death in the United States are risk factors that can be modified.”

A U.S. Department of Health and Human Services report in 2002 revealed that worksites with wellness programs have:

- Reduced healthcare costs by 20 to 55 percent
- Reduced short-term sick leave by 6 to 32 percent
- Increased productivity by 2 to 52 percent

Taken from www.wellnessproposals.com

NH HEALTHFIRST

NH HealthFirst will be available in October

This plan is aimed at helping employers with 50 or fewer employees have a medical plan option that is 15-20% lower than a comparable plan.

- A focus on wellness and prevention.
- Can cover preventive visits without a copayment
- Deductible amounts will depend on the facility used for services.

NH HEALTHFIRST

- Education for this plan will begin for brokers in August.
- The plan offers incentives. For example, if you retain a healthy body weight, low enough blood pressure, cholesterol and blood sugar you can reduce your deductible after the first year.
- The plan will manage and coordinate care for persons with chronic health condition or acute illness.

THANK YOU

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