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Risk Review

Keeping you informed on *Business Insurance* issues



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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 massive catastrophe, you learn that local ordinances require you to demolish the remnants of the building. The building inspector also informs you that the building can not be reconstructed exactly as it existed before the fire because that would violate *current* building and zoning codes. At this point, you're faced with a gigantic sum needed to get your building back and your business up and running again. Do you know if your insurance will help cover the costs?

Generally, basic commercial property policies exclude coverage for building updates, repairs, or demolitions mandated by public law or ordinance. This can be a very expensive gap in your coverage even if you are ordered to add a sprinkler system or to make other minor changes to meet current codes. The cost of meeting public access requirements by the Americans with Disabilities Act (ADA) is also generally excluded under basic commercial property contracts.

To fill this vital 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 increased cost of construction necessary to comply with current building codes, the cost of demolishing the undamaged portion of the building, and 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 protection. Even if you rent your building, you may have a need for such an endorsement. Contact one of our qualified insurance professionals for more information.

Incentives for Workplace Safety

Achieving a safe workplace is nearly impossible without full employee cooperation, and an incentive program can help you achieve that goal. By providing small rewards to those who demonstrate safe behavior, you can motivate your workers to help you reduce on-the-job accidents.

To get everyone involved, consider a company-wide meeting led by top managers, and encourage employees to make suggestions for rewards. Prize ideas may include free lunches, gift certificates, t-shirts, or tickets to events. Establish detailed criteria necessary for earning rewards, and communicate these criteria to your employees and supervisors before the program starts. Also emphasize to your employees that the incentive program should never deter them from reporting valid injuries.

Little-Known Facts about Flood Insurance

The Federal Emergency Management Agency (FEMA 2005) reports that flooding causes over \$2 billion in property damages each year in the U.S. Considering its relatively low cost and attendant peace of mind, **flood insurance** may be a valuable addition to your business insurance program. Be sure to remember the following 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 FEMA (2005), almost one-quarter of flood insurance claims are filed by those in areas with minimal 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 National Flood Insurance Program (NFIP), a division of FEMA. Coverage for non-residential property is available for up to \$500,000 for the building and \$500,000 for contents.

Flood insurance is available everywhere. It doesn't matter whether your flood risk is high, medium, or low, insur-

ance is available as long as your community participates in the NFIP program. You can find out if you are eligible through their website at www.floodsmart.gov.

Low-cost policies are available for low to moderate risk. According to FEMA, a preferred risk policy through the NFIP covering both a non-residential building and its contents costs just \$500 per year.

Contents coverage is separate. Coverage on the building itself is separate from contents *inside* the building. Therefore, property owners should note that contents coverage is not automatically included and should be requested. This also means that 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 will pay whether or not a disaster is declared. Feel free to give us a call or stop by for more information.

Scrambling to Stay Awake on the Job

Employee fatigue appears to be a growing problem for many companies. Longer work weeks—which are now routine and, perhaps, even expected—can put extra pressure on already stressed workers. To add to the strain, technological advances that 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. Workers may 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.

What can you do to reduce the risk of excessive tiredness in your work force? 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 solicit input from your employees.

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.

For Your Information

Fight ID Theft

Individuals are not the only ones affected by identity theft. The Federal Trade Commission provides a business site dedicated to helping companies fight back against identity theft, which can cause irreparable damage to a business that loses customer data. At www.ftc.gov, business owners can find a range of educational tools to help with the following: assisting victims, handling data breaches, and safeguarding important business and customer information.

Drug-Free Workplace Alliance

The Drug-Free Workplace Alliance is a Department of Labor (DOL) cooperative focused on improving employee safety and health through drug-free workplace programs. It is focused on the construction industry, which research shows has high rates of employee drug and alcohol abuse. Alliance members have created a variety of training and educational materials, including employee-friendly brochures and presentations, on workplace alcohol and drug abuse prevention. Visit www.dol.gov for more information.

SBA Emerging 200

The U.S. Small Business Administration (SBA) is seeking to support inner-city businesses across the country that show a high potential for growth through its SBA Emerging 200 initiative. The program will provide companies with the network and resources required to build a business of size and scale that will, in turn, generate new jobs, attract investment, and provide a more sustainable economic base in distressed areas. For more information, visit www.sba.gov.