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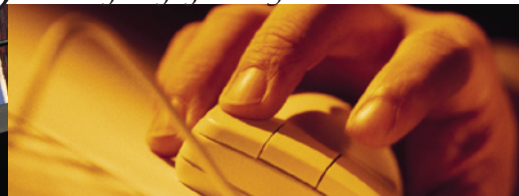


Risk Review

Keeping you informed on *Business Insurance* issues



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Protect the MVP from a Disability

You may be your business's most valuable player (MVP), and proper measures should be taken to protect both your income and the livelihood of your business in the event you suffer a disability. **Disability income insurance** offers protection against an accident or health crisis that limits your ability to earn income. Depending on your income, coverage may replace 45%–75% of your pre-disability earnings. The policy's cost generally depends on such factors as the risk level of your occupation, your age, your health, and the scope of coverage. Consider the following policy features:

Definition of Disability. Some policies cover you if you are unable to work in your current occupation or one appropriate for your training and level of experience. In contrast, other policies cover you only if you are unable to work in *any* occupation. This distinction can make a big difference if you become disabled.

Residual Benefits or Partial Disability Coverage. Under certain specified circumstances, if you become disabled but are able to earn a *portion* of your previous income, residual benefits or partial disability coverage pays a portion of your benefits to supplement your reduced income.

Guaranteed Renewable. With this feature, the insurer cannot refuse to

renew your policy or change any terms, except for premium cost, as long as you continue to pay your premiums on time.

Guaranteed Insurability. This provision allows you to increase your monthly benefit, even if you experience health changes that would otherwise prevent you from obtaining additional disability coverage.

Cost-of-Living Adjustment (COLA). This feature helps protect your benefits against the effects of inflation during a long-term disability.

In general, disability benefits are paid monthly after a predetermined waiting period, limited to a maximum amount, and restricted to a specified length of time. A thorough disability plan that includes both disability income *and* business overhead expense insurance (see page 2 for a discussion of the latter) can help protect your livelihood and ensure your business stays up and running.



Ergonomic Considerations

To start tackling ergonomic concerns, appoint a committee representing management and all relevant departments, including human relations, engineering, and health and safety. Be sure to also 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.

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.

Insuring Your Business— Are You Prepared for the Unexpected?

There are two risk exposures that no business owner can afford to overlook: property loss and liability loss. Property insurance generally covers your building, contents, and equipment in the event that physical property needs to be repaired or replaced due to perils such as fire, theft, wind, or certain types of water damage. Liability insurance helps protect you and your company from liability arising from day-to-day business operations. You should consider obtaining sufficient coverage for product liability and premises liability to help protect your business in the event someone is injured while using your products or visiting your facility. In addition, business owners in search of the most complete protection must also prepare for the possibilities of business interruption, disability, and the loss of key employees.

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. Once you have established your potential vulnerabilities, consider which forms of insurance coverage best meet your needs.

Business Owners Policy: While property insurance and liability insurance can be secured separately, a business owners policy bundles both property and liability coverage in one package. This combined policy typically covers business property that is exposed to risks such as fire, smoke, hail, wind, theft, vandalism, and some forms of water damage (for instance, from leaking roofs or broken pipes). Insurable property includes, but is not limited to, buildings, office furniture and equipment, machinery, inventory, and signs. In addition, coverage may also include protection against business interruption. For more complex operations, a **Commercial Package Policy** may be customized to a business's needs.

Business Interruption Insurance: While few business owners would dare think of leaving their buildings and contents uninsured or their business unprotected from liability, many neglect to insure the purpose of their business—the earnings. Business interruption insurance helps maintain a regular flow of earnings after the business has been wholly or

partially disabled by a disaster. In other words, coverage is designed to do for the business what the business would have done for itself had no loss occurred, including paying for the lost net profits of the business, plus any continuing expenses that may occur during “down time” caused by a peril covered by the policy.

Business Overhead Expense Insurance: While preparing for business interruption is important, so is preparing for the possibility that an accident or illness could interrupt your ability to conduct business. Could your firm survive if you were forced to stop working? Business overhead expense insurance can help sustain your business during a disability by paying expenses such as salaries and benefits; rent, lease, or mortgage payments; property taxes; equipment costs; certain insurance premiums; maintenance costs; and utility bills. In general, benefits are paid monthly after a predetermined waiting period, limited to a maximum amount, and restricted to a specified length of time (often from one to two years). Business overhead expense insurance does not, however, replace the need for your own personal disability income insurance.

Key Employee Insurance: In addition to considering the potential for your own health crisis, have you thought about the consequences of suddenly losing a key employee to disability or death? Along with losing a valued member of your management team, you would also be losing the person's skill, his or her “know-how,” and, perhaps, the important business relationships he or she had cultivated over the years. Key person insurance covers, or “indemnifies,” a company against the loss of a valued team member's skill and experience. The proceeds help provide funds to recruit, hire, and train a replacement; replace lost profits; and reassure lenders that funds will be available to help repay business loans.

Because businesses vary in nature, grow, and change, there is no standard insurance policy available to cover all contingencies. Frequent review of your coverage needs and your policy options can help ensure the future of your business.

Did You Know?

Work/Life: Out of Balance?

According to a survey by Staples, Inc., small business owners and executives of businesses with 20 or fewer employees work long hours at the expense of personal time. Of those surveyed, 62% reported working over 40 hours a week, while 21% said they put in at least 80 hours a week. In addition, a number of managers report working after hours and at night (66%), on holidays (51%), and during what is supposed to be family time (47%).

Help Employees Quit Smoking

According to a study of smoking in the workplace by the National Business Group on Health (NBGH), 78% of smokers who work for smoke-free companies said this policy alone was not enough to motivate them to quit. Around half of the employees reported having made between three and ten attempts to quit smoking. Most smoking employees, the survey found, would like their employers to offer access to smoking cessation programs.

Women Executives Narrow Wage Gap

When women serve as senior managers, female employees of the company earn an average of 91% of male employees' wages, according to a study by sociologists Philip Cohen of the University of North Carolina and Matt Huffman of the University of California. In contrast, according to the U.S. Census Bureau, women earn an average of 77% of men's wages across all companies. Study results further show the wage gap is not affected when women occupy junior managerial positions, even when large numbers of women are promoted to this level.