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Risk Manager

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Protecting your business against theft

All businesses are susceptible to crime associated with theft of their computers, office equipment, or cash. Generally, insurance coverage for theft is only a marginal provision under business policies and should be obtained under separate endorsements. To help determine whether additional protection is needed, consider the following ways insurers categorize coverage for theft in the workplace:



Robbery and Holdup. Technically, actual premises cannot be robbed, but people can be. Robbery and holdup coverage generally

provides protection during the hours of business operation, including when funds are in the custody of an employee. The premium for this provision may be minimal; however, coverage is typically limited to robbery on the premises or during a trip to the bank. A business owner may expand this coverage to include events *after* the close of business, such as when making night deposits or holding deposits overnight at a custodian's home.

Burglary. A burglary occurs when a thief breaks into a building or other premises with the intent to destroy property and/or steal money or other valuables. Burglaries typically occur when the company is closed for business. Most insurance policies exclude coverage for loss of funds left on the premises, unless the funds are held inside a special safe or burglarproof vault. **Safe burglary coverage** can be purchased as a separate provision to insure the actual container and its contents. It is not uncommon, how-

ever, for such protection to require physical evidence of *forced* entry into the premises for coverage to apply. Business owners may also obtain coverage for loss of funds left on the premises under **money and securities** endorsements. These coverages afford protection for loss caused by theft, disappearance, or destruction of cash or negotiable securities.

Employee Dishonesty. Insurance policies generally exclude coverage for losses due to the criminal acts of employees. These losses may be covered under an "employee dishonesty bond."

Start with Awareness

Crimes committed in the workplace could potentially cripple a business, in terms of both actual costs due to loss and the potential emotional blow to employee morale. A qualified insurance professional can review business coverage to help evaluate any risks that are likely to threaten a business.



Did You Know

Workers compensation protects employer and employee

The idea of **workers compensation** has some strange roots. While you might think the concept has its origin in the industrial revolution of the late 18th and early 19th centuries, the notion actually dates to the 17th century and was born on the high seas.

The life of a pirate was a hazardous one. Before crew members received their share of the booty, a special distribution was made to comrades injured in action. The loss of the right arm was considered most serious, leading to an award of 600 gold coins. The left arm was considered less valuable, resulting in only 400 gold coins. Ironically, there was no special provision for the loss of a hand, since a pirate with a hook for a hand was considered to have enhanced his worth with his combination tool and weapon!

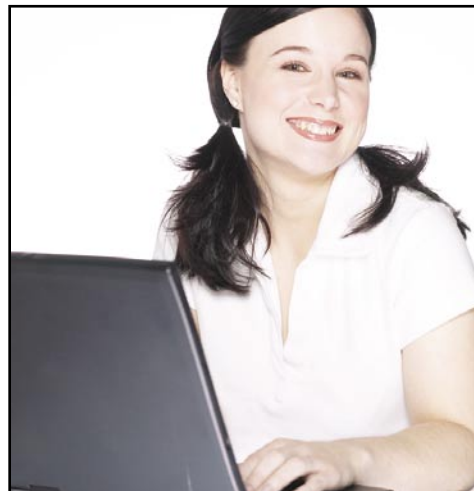
Into the Modern Age

The concept of compensation became formalized with the advent of industrialization as machinery-related injuries increased. The first formal laws were instituted in Germany in the 1880s, followed soon afterward in England and then in the United States, where Wisconsin enacted the first state workers compensation law in 1911. Needless to say, workers compensation law in the United States is considerably more sophisticated today.

State statutes define workers compensation; however, the laws aren't identical, and in some states, it may not be mandatory. The object of a compensation law is to substitute the common-law rights of a covered employee (i.e., the ability to sue) against his or her employer with a legal

remedy that requires the employer to pay benefits according to the applicable state statute.

While most state compensation laws prohibit lawsuits by employees against their employers, there are some exceptions when recovery based on negligence might provide a greater remedy than under the applicable workers compensation statute. Two of the more common exceptions are intentional harm, such as from an injury arising from a safety violation, and bad faith arising from harassment of an employee during the claims process.



Who Benefits?

The essence of workers compensation is the legal recognition that when an employee sustains a work-related injury, the employer is obligated to pay for medical expenses, temporary and permanent disability benefits, rehabilitation benefits, and survivors benefits in the event of death.

State workers compensation statutes cover most forms of employment within

OSHA Requires Injury Postings

As of February 1, 2006, employers are required under new federal regulations to post a summary of the total number of job-related injuries and illnesses that occurred in the previous calendar year. According to the U.S. Occupational Safety and Health Administration (OSHA), employers must display the summary logged on OSHA Form 300A in a common area where notices to employees are usually posted.

Special Radio Warns of Weather Hazards

If your business is located in an area frequently threatened by hurricanes, tornadoes, or other natural disasters, you should consider purchasing a special radio that broadcasts 24-hour-a-day weather alerts. National Oceanic and Atmospheric Administration (NOAA) Weather Radio All Hazards transmitters are capable of receiving National Weather Service forecasts and severe weather warnings that cannot be heard using a simple AM/FM radio receiver. Available at electronics stores for as little as \$20, NOAA radios sound an alarm tone signaling a severe weather warning, even when the audio is turned off.

Prevent Electrical Generator Backfeed

If a portable electrical generator is improperly sized, installed, or operated, it could send power back to the electrical lines, potentially killing or seriously injuring anyone who touches the lines. Electrical generator owners can stop this "backfeed" from occurring by having their generators installed by qualified electricians and by ensuring that the main circuit breaker is off and locked before starting the generator.

For Your Information



Tax Filing for Small Employers Simplified

As of January 1, 2006, small business employers with minimal federal employment tax liability will be able to file the new Form 944 (Employer's Annual Federal Tax Return) once a year, in place of the previously required Form 941 (Employer's Quarterly Federal Tax Return). Form 944 may be used by employers with an estimated annual employment tax liability of \$1,000 or less.

Emergency Management Guides for Businesses

If your business needs a new plan for managing disasters, there are a number of guides and tools available online. The American Red Cross offers a short "Personal Workplace Disaster Supplies Kit" at www.redcross.org. A more comprehensive guide is available from the Federal Emergency Management Agency (FEMA) at www.fema.gov. The Institute for Business and Home Safety (IBHS) and the Small Business Administration (SBA) have developed a booklet entitled "The Open for Business Toolkit," which can be accessed at www.ibhs.org.

Take Steps to Stop Arsonists

There are preventive measures you can take to reduce the risk of your building being targeted by arsonists. The U.S. Fire Administration recommends installing a combination burglar and fire alarm and using motion-activated lighting to illuminate the exteriors and entrances of buildings. To keep out intruders, consider fencing any areas not clearly visible. Keep trees and shrubbery trimmed, and avoid placing dry leaves and flammable debris near buildings.

Examine the health and safety laws for working teens

Every industry has its unique occupational hazards. For instance, food service jobs may expose workers to slippery floors, hot cooking equipment, and sharp objects. Janitorial work may include contact with hazardous chemicals. Even retail workers may risk injury with duties that involve heavy lifting. In many workplaces, teens are more prone to accidents than older workers, given their biologic, social, and economic characteristics.



To protect your business and your staff, it may be wise to brush up on the laws protecting the safety of working teens. For starters, employers are required by law to provide all workers, including teens, with the following:

- A safe and healthful workplace.
- Safety and health training, especially regarding chemicals.
- Paid medical care and sick leave for certain job injuries.

Laws Regulate Ages, Hours, and Risks

Federal and state labor laws generally regulate the number of hours, schedules, and types of work teens are allowed to perform. Limitations for adolescents age 14 and 15 may be more stringent than for those age 16 and older. For instance, teens under age 16 may face restrictions on the maximum

number of hours they can work each day and week, depending on whether it is a school day and school is in session. (However, the laws do make exceptions for students in work experience programs.)

Age limits are usually set for dangerous work. For example, workers generally must be age 18 or older to drive a motor vehicle, operate most power equipment, and work in certain occupations, such as wrecking, excavation, and roofing. Typically, no one age 14 or 15 may work in construction, in warehouses, on ladders or scaffolds, or as a baker or cook. Also, those under 16 may not unload trucks, conveyor belts, or railroad cars. Restrictions for other types of work may also exist.

Practices to Help Prevent Injuries

To encourage a safe work environment, employers should teach teens about basic safety habits and educate them on how to handle an emergency; direct them to follow all safety rules and instructions and to wear protective gear, as needed; point out that a *clean* and *tidy* work area is more likely to be a *safe* work area; post safety and training materials in more than one language, if necessary; and inform teens to promptly report safety and health hazards to their supervisors.

Many injuries among young workers can be prevented with industry-specific health and safety training, and adherence to safety laws. For more information on the regulations, potential concerns, and liabilities of employing teens in your business and state, visit the Department of Labor (DOL) website devoted to working teens at www.youthrules.dol.gov.



Workers compensation protects employer and employee

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that state. Federal statutes limit coverage to federal employees or those workers employed in some significant aspect of interstate commerce.

Under a typical state statute, the employee is guaranteed workers compensation benefits on a timely basis. With a common-law remedy, the injured worker could be subject to the delays and expense of litigation; he or she

might not receive money until a court makes an award or the case is settled. In turn, the employer is protected from open-ended financial losses associated with employee injuries, which could be substantial if employer negligence were proven in a court of law. The employer controls these potential losses through insurance premiums for workers compensation coverage.

While both parties have relinquished rights under our modern system of workers compensation (the right to a common-law remedy by the employee and the right of due process by the employer), the benefits provided are generally believed to be worth the trade-off. Workers compensation thus protects both the welfare of employees and the financial soundness of businesses.

A commercial umbrella for when it pours!

In today's increasing litigious society, business owners must be prepared for the possibility of lawsuits against their businesses, regardless of size, location, or business type. A lawsuit could involve large legal fees, as well as a possible jury award for medical expenses, pain and suffering, or any number of grievances. In addition, negative publicity and lost time resulting from court-related activities contribute to the consequences of such lawsuits.

As the adage warns, when it rains, it pours. As a result, a **commercial umbrella liability** policy is essential for so many businesses. A commercial umbrella provides protection in million dollar increments above the required liability limits of your **commercial general liability, auto liability, and workers compensation** policies.

How the Umbrella Works

Umbrella coverage takes effect when the limits of your underlying policies

have been exhausted. An umbrella may also cover situations your current business policies may otherwise exclude. The typical commercial umbrella policy may offer extra protection for legal defense expenses, losses occurring outside the U.S., and personal injury or property damage. In addition to covering the named insured, a commercial umbrella may also protect your executives, your employees, your stockholders, and those whom you agree to protect under a written contract, at least to the extent that losses occurred within the scope of business duties.

Bear in mind that while umbrellas provide for losses and liabilities above and beyond the scope of other insurance, certain exclusions may still apply. In most cases, you will be expected to maintain your underlying insurance, without alterations in terms or conditions, during the term of the umbrella policy. You may also be required to carry certain amounts of insurance in these underlying policies in order to

qualify for an umbrella. However, the cost for your umbrella coverage will likely be lower if your primary deductibles or policy limits are higher.

Regular Reviews Are Important

Be sure to review your insurance policies regularly because the amount of umbrella coverage you need may change over time. For instance, changes in your underlying policies, such as new **exclusions** or **limitations**, may leave gaps in your umbrella coverage. Also, inflation and ever increasing legal awards often necessitate an increase in coverage. Fortunately, any additional million dollar increments in coverage will cost less than the first million.

Your primary insurance may not always provide the protection you need—especially when an expensive court settlement is involved. Please contact us for more information on how a commercial umbrella can help protect your business from lawsuits and other catastrophic losses.