

SMART, SHARING IDEAS

By Bill Schapiro, President, Whitehouse and Schapiro
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One of the benefits of SMART membership is the sharing of ideas. Lou Buty asked Charles Wilson of RiskSmart Solutions (from the San Francisco Bay Area) to speak in Toronto last July at our yearly convention.

Charles is not an insurance agent. He doesn't "sell" anything. "What Charles DOES do is review your business's insurance program and make suggestions as to how it can be improved.



Being properly insured is an extremely important aspect of a business. Charles told me that he has NEVER reviewed a company's insurance coverages and not found areas that were under insured or areas where savings could be made.

I signed up, and I benefited from this service, and like Lou I wanted to share this service with members.

I asked Charles to write a brief piece with some examples to show what he has to offer.

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Risk Protection Strategies

Your most important Risk Protection goal is to control – as much as you can – your business risks and exposures to loss. Here are the three key strategies.

1. Identify your major risks with help from colleagues and employees.
2. Focus on preventing losses, training for safety, and creating simple contingency plans to handle an emergency.
3. Buy Your Insurance LAST™ – after you've taken care of the first two steps.

Operational risks are where you have the biggest impact on preventing losses. Your operations include physical risks (buildings, inventory, etc.); employee risks (accidents, injuries); auto, shipping and delivery risks; legal risks (contracts, leases, government regulations); and intangible risks (your reputation for example).

Your biggest vulnerabilities are in four "black holes." Smaller businesses are particularly exposed to these because they lack the specialized resources they need.

1. **People** and how you manage them – Safety and Employment Practices (avoiding harassment and discrimination) are your key dangers.
 - ⇒ Get loss control and safety inspections from your insurance company.
 - ⇒ Get human resources or legal audits of your policies and complaint procedures.
2. **Contracts** and leases – Contract law trumps normal negligence in court all the time.
 - ⇒ Get an attorney who offers affordable contract reviews and an insurance broker or consultant to verify coverage.

3. **Computers** and data – Your contacts, notes and emails are valuable, and if lost make you responsible for identity theft.
 - ⇒ Get the best security and test your backups offsite.
4. **Insurance** gaps and overlaps – Your program can be full of errors, forgotten risks, and mysterious exclusions.
 - ⇒ Meet with your broker to make sure you understand where you're covered and where you're not.
One client had data with identifying personal information about others. They were not aware that they had no coverage, or that a Network Security policy could help pay to recover their lost data as well as protect them from lawsuits and the skyrocketing costs of identity theft.

Business Insurance Basics

What business insurance do you need and how much? Here are the first three steps:

1. **Be pro-active:** get a great broker; understand your coverages; and make sure meetings happen in advance – not the day before your renewal.
Recently a client wanted to re-assess their broker relationship. Ultimately, we moved the account to a new, more appropriate service provider. The savings in the new program over the stale one were more than 30%, and the coverage was vastly superior.
2. **Streamline and simplify:** insist on one renewal date; the fewest number of policies; and one broker.
3. **Insure the big stuff:** get full limits and higher deductibles.

Your insurance program needs some or all of the following basic coverages.

- **Business property** – Cover your buildings, equipment, inventory, business income, crime, flood, sprinkler leakage, and more. Get special coverage for property in transit. Ask about options like functional replacement cost on older buildings and selling cost valuation on inventory.
A client's property policy recently renewed with the old values: the \$50,000 should have been \$150,000. Closing this oversight was not expensive and provided key coverage and no co-insurance penalty.
- **Third Party Liability** – Exclusions here are numerous and often misunderstood. Consider excess liability limits for more complete protection.
- **Commercial Auto** – Covers vehicles the business owns and your liability for non-owned (employee) vehicles when driven on business errands, deliveries, etc.
Recent examples of employers getting sued for employees with personal vehicles include \$500,000 (an employee hit a motorcyclist while on the phone and driving to a non-work-related dinner on Saturday evening); \$21 million (an employee ran a red light while talking to a client on his way to a fishing trip); and \$30 million (an employee killed a pedestrian while on a business call commuting home from work – case is pending).
- **Workers' Compensation** – This is mandatory if you have any employees – even part-time – and includes Employers Liability. Be careful about independent contractors vs. employees – the penalties can be high.

A client forgot to tell his broker when he hired a salesperson working from home in another state. The Workers' Comp policy was never amended nor the salary declared. The chance of a lawsuit if that worker was injured is 100%, not to mention fines and penalties for breaking the law.

- **Other coverages** – Consider: Employment Practices Liability; Directors & Officers Liability; Fiduciary Liability or an ERISA bond if you have a pension plan; Media-Web Site Liability; and Flood to name a few. This list could be very long.

A simple business decision gone wrong – such as hiring a new salesperson who brings along customer lists – can bring a lawsuit from the prior employer. Other gaffes can result in government regulatory action. And these are not covered anywhere else.

Buy Your Insurance Last™ – think first about how to prevent losses, set up a safety training program, and create simple contingency plans for when something does go wrong.

A client recently discovered that a Contingency Plan we prepared for major events was also a competitive advantage with key customers: they distinguished themselves as being uniquely qualified to take care of serious problems quickly and efficiently.

Pay attention to these risk and insurance basics and you can be a survivor instead of a statistic in these complex and litigious times. You'll save a ton of time and perhaps some money – because you'll be able to react and fix problems quickly, and you'll know what insurance you need to buy.

Don't hesitate to contact me if I can answer any questions or help you with concerns about your prevention, contingency and crisis management plans, or your insurance programs.

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REVIEW YOUR SBLC WEEKLY REPORT

The SBLC stands for Small Business Legislative Council. The SBLC is an independent, permanent coalition of trade and professional associations who share a common concern for the future of small business.

While the US congress is in session, the SBLC provides weekly updates on legislative issues facing small business owners. The SBLC report is e-mailed to principal member contacts at the beginning of each week.

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Sent: Monday, October 05, 2009 2:34 PM
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SMALL BUSINESS LEGISLATIVE COUNCIL REPORT

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HAVE YOU HAD YOUR PERAB TODAY?

SBLC President and General Counsel John S. Satagaj appeared before the tax subgroup of the President's Economic Recovery Advisory Board (PERAB). SBLC, along with our colleagues from NFIB and the Chamber, in our capacities as the co-chairs of the Coalition for Fairness in Tax Compliance, made a presentation to Laura Tyson, Chair of President Clinton's Council of Economic Advisors, and Austan Goolsbee, a member of this President's Council of Economic Advisors.

The Administration is seeking input on options for tax reform from outside groups so they asked the PERAB to