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INSURANCE AND BONDS

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Risk Review

Keeping you informed on Business Insurance Issues



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The Entrepreneurial Challenge

As many corporations have downsized to meet competitive challenges, former employees from all levels have taken the opportunity to strike out on their own.

However, independence is a two-sided coin. While one side is independence, the other side is responsibility. What used to be provided by the employer now becomes the self-employed individual's personal responsibility.

In addition, when you are self-employed, you are responsible for

completely funding your own benefits. Are group or association plans available for health and hospitalization insurance? What options are available to build your own retirement?

An important part of providing your own benefits is making sure that your family is protected should something happen to you. Adequate life and disability insurance should be considered the cornerstones of your personal benefit program.

If you have employees, you may have to allocate some percentage of revenues to cover expenses such as insurance and retirement benefits, bonuses, and vacations. One way to help ensure funds are available is to make cash deposits to an escrow account at the same time you pay quarterly estimated federal and state income taxes.

One entrepreneurial challenge is to understand that the success of a small business depends on getting revenue, as well as appropriately allocating revenue to business operations and your own future security.

Office Theft: The Alarming Truth

In response to growing concern about crime, nationwide efforts to curb burglary and other crimes have increased. Your business can take steps to help fight crime on your property by investing in a quality alarm system.

The National Burglar and Fire Alarm Association (NBFAA, 2003) reports that suites without alarm systems in office parks are 4.5 times more likely to be burglarized than those with alarm systems. The most effective systems alert either a private security agency or the local police station. However, even a basic, on-site alarm that activates a bell or siren can frighten an intruder or attract attention.

Take preventative action before it's too late. Be sure to protect your business with an effective alarm system, and always make sure you have adequate crime coverage. Feel free to stop in or call us for more information.



## Are Cell Phones Covered?

Many people today would be lost without cellular phones—especially in their cars. If your car is wrecked or stolen, your cell phone may be too. A damaged or missing cell phone is not generally covered under your **auto insurance** policy, but may be covered under your homeowners policy. Coverage would be subject to a deductible and normally would not include losses such as a mysterious disappearance (losing the item).

## Protect the MVP from a Disability Disaster

You may be your business's most valuable player (MVP), and proper measures should be taken in the event you suffer a disability. To qualify for Social Security disability benefits, you must be severely disabled and, even then, you will have to wait at least six months for payments to begin. Social Security disability was not intended to be an individual's sole source of disability income, thus benefits are often less than what you might need to cover your regular living expenses.

**Disability income insurance** offers protection against an accident or health crisis that limits your ability to earn income. Depending on your income, the maximum coverage you can buy may replace 45% to 75% of your pre-disability earnings. The policy's cost generally depends on such factors as the risk level of your occupation, your age, health, and the scope of coverage.

Consider the following policy features:

- **Definition of Disability.** Carefully review the definition of disability in your policy. Some policies cover you if you are unable to work in the occupation in which you were employed or for which you were trained, or if you can no longer earn as much as you once did in that field. 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 and are only able to earn a *portion* of your previous income, residual benefits or partial disability coverage pays a portion of your benefits.

- **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.

Also, consider a **business overhead expense policy** that can help cover lost profits and continuing fixed costs, such as salaries and ongoing business expenses, in the event you suffer a disability. 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). A thorough disability plan that includes both disability income *and* business overhead expense insurance can help protect your livelihood and ensure your business stays up and running.

## For Your Information

### Substance Abuse

According to the Department of Labor (DOL, 2003), 9.4 million Americans who use illegal drugs are employed. In fact, over 60% of adult employees report that they know someone who has started the workday under the influence of drugs or alcohol. It is estimated that alcohol and drug abuse costs businesses \$37 billion per year because of premature death, and \$44 billion because of illness.

### Going Global?

If your business is considering offering products and services outside the United States, the U.S. Department of Commerce (DOC) offers assistance. The DOC sponsors an e-marketplace, [www.BuyUSA.com](http://www.BuyUSA.com), that aims to connect U.S. suppliers with international companies. In addition, the DOC provides information on international trade events, services to help businesses create export trade, and *Export America Magazine*, designed for global business needs. To find out more, visit: [www.commerce.gov/trade\\_opportunities.html](http://www.commerce.gov/trade_opportunities.html).

### Workers on the Move

According to the Insurance Information Institute (III, 2003), motor vehicle accidents are the highest cause of on-the-job fatalities. These accidents account for almost one quarter of workplace deaths. Furthermore, if an employee is conducting business on a cell phone while driving and an accident occurs, it could lead to liability on the employer's part. Give us a call to ensure you are covered.