

# YOUR Business



VIA INSURANCE & FINANCIAL SERVICES

VALVANO INSURANCE AGENCY

16 West Elizabeth Avenue ♦ PO Box 1100 ♦ Linden, NJ 07036  
(908) 862-4047p ♦ (908) 862-0308f

Spring/Summer2003

New Jersey

## Fraud: the crime that affects us all



**Insurance fraud.** What once was seen as a “victimless crime” is now turning into a crime that costs businesses millions of dollars each year. To compensate for fraudulent acts such as medical and workers’ compensation fraud; premiums for employee health coverage and business insurance have increased each year.

According to the Coalition Against Insurance Fraud, there are two types of insurance fraud, “hard” and “soft.” **Hard fraud** is usually a deliberate attempt either to stage an accident, injury, theft, arson or other type of loss that would be covered under an insurance policy. **Soft fraud** occurs when a policyholder or claimant exaggerates a legitimate claim. While there is an actual reason to hand in a claim, it is blown up significantly.

Insurance companies and state and federal regulators have taken steps toward combating this crime. Many major insurers have created specific entities within their claims departments to investigate suspicious claims. In 1992, insurance companies worked together to create the National Insurance Crime Bureau, a not-for-profit organization dedicated to fighting insurance fraud and vehicle theft.

It is also up to you to fight insurance fraud—be on the lookout for suspicious behavior, which includes but is not limited to the following:

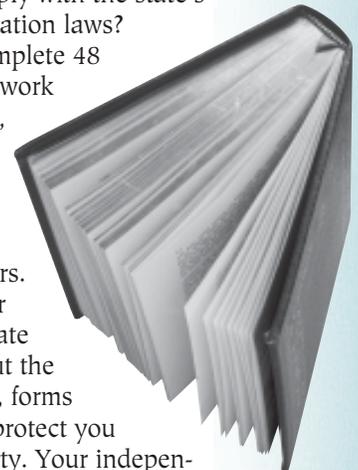
- A history of claims activity
- The claimant is familiar with insurance procedures
- He/she conducts business in person; refrains from using mail or fax
- The person threatens to contact higher company authority to push demands
- There’s an unreasonable delay in reporting loss
- A refusal to give recorded or written statements
- The claimant’s lifestyle seems inconsistent with observation and facts
- He/she is experiencing financial problems

If you suspect that you or someone you know is being taken advantage of in a fraudulent insurance scam, or if you know someone who is committing insurance fraud, contact the New Jersey Office of Insurance Fraud at (877) 55-FRAUD, or, visit its Web site at [www.njinsurancefraud.org](http://www.njinsurancefraud.org).

## Your professional independent agent—educated by law

Did you know licensed insurance agents are required to comply with the state’s continuing education laws?

Agents must complete 48 hours of course work every four years, in each type of insurance for which they are licensed to advise consumers. This means your agent is up-to-date and knows about the latest coverages, forms and policies to protect you and your property. Your independent agent is educated—by law.



## Index

Auto accidents hurt the bottom line _____	2
Attention business owners: Are you thinking about retirement? _____	2
Insuring mobile electronics for your business _____	3
Keep the workplace safe _____	3
Don’t cry over broken equipment _____	4
Paying on time is good; paying late is bad _____	4
Flood insurance for businesses _____	4



## Auto accidents hurt the bottom line

According to the U.S. Bureau of Labor Statistics, transportation incidents caused 43 percent of all deaths occurring on the job in 2001. Research published by Liberty Mutual Insurance Co. places auto accidents as the seventh highest overall cost for worker injuries, estimated at \$2.4 billion.

What does this mean to your business? If your employees drive vehicles on the job, it means your business is exposed to a number of drains on your bottom line. Auto accidents will cause your experience rating modification factor to rise, leading to higher workers' compensation premiums. At the same time, your auto insurance rates will be impacted by these accidents. Productivity is hampered by the injured employee's lost time from work and management time is absorbed by all the administrative duties that accompany these events.

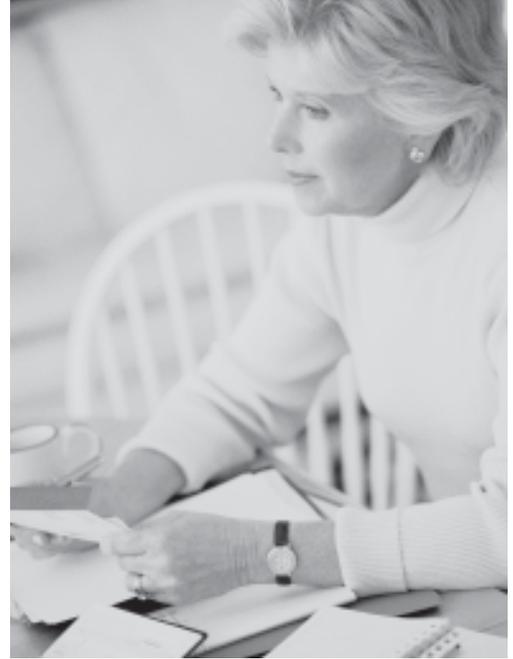
You can't remove all the risk from your business activities, but you can take specific actions to reduce the potential harm. A good loss control program will develop safety measures on two fronts—loss frequency and loss severity.

The goal with loss frequency is to reduce the number of auto accidents by examining driver characteristics, vehicle hazards, environmental hazards, scheduling pressures, etc. If you hire the right driver, provide the proper training, ensure the safety of vehicles, communicate company policy and enforce that policy, the result will be fewer accidents.

Unfortunately, not all accidents can be prevented, so it's necessary to take the next step in reducing the severity of accidents. This involves looking at the safety characteristics of the vehicle; that is, performance in an accident and passenger restraint systems. It also involves examining driver conditions and behavior; such as use of the restraint system, health of the driver and propensity to drive at excessive speeds.

To truly affect your bottom line, the loss control program you develop needs to be specific to your particular business and there must be a top-down commitment to its implementation. We would be happy to steer you in the right direction for information about creating your own loss control program. Don't hesitate to call us for help.

## Attention business owners: Are you thinking about retirement?



When you started up your business, did you see a time when you could walk away with enough money to live comfortably? That's a reasonable goal, but you have to plan for it now. Whether you want to stop working at age 50 or keep going as long as possible, you can set up a retirement plan to help you reach your goals.

The best time to think about retirement is in your 40s. With the day-to-day running of your business, it's easy to understand why you have little time for planning the future. However, at this age, time is on your side. There are many options available to you and less money is needed because funds can be accumulated over a greater period of time. If you wait until you are in your 50s, a more aggressive strategy will be necessary. People who wait until they reach their 60s or even their 70s will have even fewer options. Unless you have someone ready to take over your business, you may have to sell it in order to retire if you don't have some kind of plan in place.

A well-thought-out retirement plan may give you the freedom needed to enjoy your retirement. Call us. We will help you analyze your needs and recommend appropriate plans so you can truly make your retirement years the golden years.

# Insuring mobile electronics for your business

You never know what electronic equipment might be in a vehicle these days. Daily business can often be conducted within an individual's car. Motorists are now getting global positions from satellites, watching videos, listening to CDs, talking on cellular phones, transmitting faxes and conducting business on notebook computers. But a simple fact remains—theft of these devices is becoming more popular.

Some 30 million notebook computers were sold in 2002, according to the technology research firm, Gartner.

With some 85 percent of all losses to notebooks occurring from thefts or accidents, business people should maintain adequate insurance on these and all other electronic devices in the event of loss.

You may think it is a simple matter to insure the electronics in your car, but it is quite the coverage maze. A number of factors should be examined to choose appropriate coverage for your business equipment, such as the type of equipment, its value, its portability, the source of its power and where the equipment is to be located.

In the event of a loss, a commercial inland marine policy is going to be the likely choice for businesses to protect their electronic devices. For computers, an electronic data processing policy is available. An EDP provides the same coverage as regular property forms, *plus* coverage for electrical and magnetic damage, mechanical breakdown, and often temperature and humidity change as well.

However, there isn't a standard form when it comes to these policies, so they tend to be specific to individual insurance companies. It really does require a professional insurance agent to examine your circumstances and find the best insurance solution.

Whatever electronic gadget you decide to put in your car, give us a call, we have the expertise to steer you through the coverage maze.



## Keep the workplace safe

The phrase “preventing accidents” should be easy to understand. It's about stopping accidents, preventing loss and even saving lives. By implementing effective safety management, you can lower accident-related costs, reduce absenteeism, lower turnover, increase productivity and improve employee morale. Set up safety guidelines and make sure your employees follow them.

Accident prevention is important to everyone. Most companies consider their employees their greatest asset and often encourage them to think seriously about their work behaviors, to reduce the risk of being injured at work.

Worker awareness is a big factor in preventing injuries.

Statistics show a majority of “on-the-job” injuries happen to new employees or employees who have been on the job for a long period of time. The new employee is often injured simply because he or she hasn't been on the job long enough to learn his or her job completely. The older employee, ironically, has been on the job too long and therefore may become careless because he or she no longer appreciates the risks involved.

Most injuries can be prevented by using common sense and following safety standards. Reinforce the importance of reducing and eliminating “workplace accidents” to your employees. Employers have a legal responsibility to their employees to make the workplace safe. To protect employers from lawsuits resulting from workplace accidents and to provide medical care and compensation for lost income to employees hurt in workplace accidents, in almost every state, businesses are required to buy workers' compensation insurance. Workers' compensation insurance covers workers injured on the job, whether they're hurt on the workplace premises or elsewhere, or in auto accidents while on business. It also covers work-related illnesses.

Call us today. We will go over your business owners insurance policy with you. Let's make sure you have the coverage you need—just in case.

# Don't cry over broken equipment



Modern businesses rely heavily on various kinds of equipment to stay in business. This may involve equipment used to heat and cool the building; to conduct manufacturing operations; to generate power or to facilitate communications. When essential equipment breaks down, not only are there expenses to repair or replace the equipment, but there is likely to be an interruption of the business. We would like you to know that specialized insurance can take the sting out of broken equipment.

Boiler and machinery coverage, now frequently referred to as equipment breakdown or systems breakdown coverage, covers a wide range of equipment. Many of our customers who are familiar with this type of policy have traditionally thought of it as just coverage for steam boiler accidents. Now, many customers are purchasing modern policies to cover all types of major equipment used in their businesses.

Whether a breakdown occurs to a computer, a production machine, the telephone system or the heating system, the resulting interruption of the business can pose the most significant threat of loss, far beyond the cost of repairing or replacing the equipment. On one hand, there may be a need to pay for extraordinary expenses to continue the operations of the business following the breakdown. And on the other hand, continuing business operation may not be an option, so that recovery of lost income may be the greatest need. Equipment breakdown coverage can solve these problems.

Call our agency to schedule an appointment to review the kinds of equipment on which your business depends. We will tailor equipment breakdown coverage to meet your specific needs. Remember, this covers things not normally covered under your property insurance policy.



## Paying on time is good; paying late is bad

We recommend that you always pay your premiums on time. Besides incurring the risk of having an uninsured loss, late payments can actually affect the rates you pay. Issuing cancellations, processing late payments and then, issuing reinstatements adds significant costs to the servicing of insurance policies. Some insurance companies have a low tolerance for late payments under policies that are eligible for their preferred pricing. Some may even decide that late payments make the risk undesirable and proceed to nonrenew the policy. For the sake of your peace of mind and keeping the best insurance rates possible, send your premium payments well in advance of the due date. Otherwise, you may pay the price later on.

## Flood insurance for businesses

With the start of the warm weather comes the concern: spring thaw. Winter run off, heavy rains and water backup due to overloaded drainage systems have caused thousands of dollars in damages to businesses. Unfortunately, too many business owners found out too late that their business insurance policy does not cover flooding.

Fortunately, the National Flood Insurance Program, available through our agency, offers flood coverage at reasonable premium rates. You may

be surprised how little a flood policy costs. An NFIP policy typically includes coverage for removing contents, sandbagging, repairing damage, rebuilding and clearing away debris and mud. It also will compensate policyholders for personal belongings and business inventories damaged by floods.

The location of your business should not be the sole determinant in deciding whether or not you need flood insurance. More than 20 percent of floods occur in areas not in flood

hazard zones. Your business won't be exempt from flood insurance if it's located on or near a floodplain. The NFIP and its servicing companies guarantee coverage in participating communities for businesses in high risk areas, regardless of location.

We can help you decide what coverage is best for your business. Call today—most flood insurance policies have a 30-day waiting period before coverage becomes effective. Don't wait!