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Disaster Planning Saves Businesses

Throughout the year in 2011, natural and man-made disasters struck, causing major property damage and business interruption losses. Those who survived did so largely because they had a pre-planned operational response for disasters.

Now is the time to develop a plan. You want one that will allow you and your staff to quickly mobilize the right resources in the right order to get you up and running as smoothly as possible. Having a solid response plan will minimize panic and frustration and eliminate many of the errors that occur when decisions have to be made on the spur of the moment.

Crisis planning experts say any effective disaster

plan should include at least the following:

- Remotely store duplicate records of accounts receivable and other important business records and lists of equipment
- Identify critical business activities and the resources needed to support them
- Find alternative facilities, equipment and supplies, and locate qualified contractors
- Set up an emergency response plan and train employees on how to carry it out
- Compile a list of important phone numbers and addresses, store them remotely, and decide on a communications strategy to prevent loss of clients/customers.



Adding Insureds, Compromising Limits

It's a common occurrence for a contractor to be asked by other parties to be added to the contractor's insurance coverage as an "additional insured." Owners, general contractors, engineers, architects and even subcontractors often either require (via the job specs) or request such a policy change.

One key coverage issue to keep in mind at such times is that your liability policy will pay judgments and settlements up to certain limits. While you may have felt those limits were

adequate at the time you chose them, each claim against an additional insured who is covered by your policy is charged against your policy limits. If such claims are paid, at some point the remaining coverage amounts may be insufficient to provide you the protection you want and need.

Although agreeing to add additional insureds to your policy may be either unavoidable or just good business, be sure you are not inadvertently weakening your coverage levels.

Are Your Employees Cheating You?



Each year, thousands of employees are caught defrauding the workers compensation system. It costs insurers, but it also costs employers when cheaters aren't caught. The construction industry is one of the largest sources of workers comp claims, so chances are your company has felt the effects. The question is: Are all your claims legitimate?

If you think one of your employees is faking an injury or illness and fraudulently collecting benefits against your policy, immediately notify your insurer. The carrier has ways to investigate false or suspicious claims that won't cost your firm anything. If your suspicions are confirmed, you may save yourself some money at renewal time.

Keep good records and follow through on all your responsibilities in each claim. Interface with your employee and your insurer on all claims to ensure you aren't victimized by fraud.

Don't Risk Your Builders Risk

One of the best tools in a contractor's insurance arsenal is the ability to insure property that is under construction with a builders risk policy. These policies are designed to provide coverage for up to the full, completed value of the building, yet the rates are discounted to recognize that the building is still in progress.

There is one key consideration in order to take the best advantage of such policies, however. To be certain your coverage will provide the level of protection intended, it must be kept current with the status of construction. For example, any alterations

to the original plans that result in changes to the originally assumed values may require changes in the builders risk coverage limits. Other changes that can significantly impact your coverage include revised completion dates or plans to partially occupy the building prior to completion.

If you keep us current on any changes from the original assumptions used to put the policy in place, we'll be able to keep your coverage up-to-date as well. Together, we can work to be sure your builders risk policy delivers its intended protection, not an unintended coverage gap.

Unmet Expectations Cause Lawsuits

A review of many lawsuits and claims against firms in the construction industry reveals that one of the key causes of disputes, and thus litigation, can be summarized with the term "unmet expectations."

Whether it is a clear case of the contractor failing to deliver what was promised (such as work that fails to meet project specs) or simply workmanship issues, an unhappy client-contractor relationship can lead to allegations of liability.

To minimize problems, it is crucial to clearly define project parameters when negotiating contracts. Don't begin work until the agreements are fully completed. According to one industry study, companies experienced far more claims when they provided services prior to a completed agreement.

It also helps to be selective in choosing your clients. A potential client's history of past litigation, complaints against you or other contractors, reputation for fairness, and financial stability are all indications of what you can expect in future dealings.

Beyond the specifics of any agreement, it's also critical to manage the client's expectations. Be clear about what can be accomplished within a given budget and the effects of making changes once the job is under way. In these ways, you can reduce the risk of claims against your firm.



What's a 'Coverage Trigger'?

A "coverage trigger" in liability insurance terms is the event that causes your policy to respond to an injury to someone or damage to property. There are two basic types of liability policy triggers—occurrence and claims-made.

An "occurrence" trigger means the policy will respond to a covered claim that takes place during the policy period. For example, you installed a roof four years ago, and today it collapsed and injured five people. Because those bodily injuries occurred today, your current policy will respond. It doesn't matter when the roof was built. The date on which the roof caved in is all that is material. It's also possible the actual claims for those injuries will not be made against you for some days, weeks or months. Again, that doesn't matter since the policy is triggered by the date on which the incident happened.



A "claims-made" trigger, as the name suggests, is primarily focused upon the date on which the actual claim is made against you irrespective of when you completed the work or when the injurious event occurred.

One trigger isn't, per se, better than

the other, but in nearly all cases, it is wise to stick to the same form of policy trigger you currently have so that your past and future policies can be best coordinated to offer you relatively seamless coverage over the years.

Hitting the Limit on High Deductibles

In return for an insured agreeing to pay the first part of big losses and all of the smallest losses, the insurer reduces the insured's premiums. So does it follow that the higher the deductible, the greater the rate credit? Not necessarily. Once the rating factors reach a point where the vast majority of nuisance claims are no longer covered, the amount the carrier can save by increasing the deductible becomes negligible, and, thus, so does the additional premium credit to the insured.

The level of deductible best for you can be determined by three key factors:

- **How much you can afford to pay**—This is based upon not only

your financial comfort level, but also the expected frequency of your claims. Whereas a single \$2,500 deductible may be easily absorbed, what if you have several such claims in a given year?

- **How does the deductible apply under your various coverages**—For example, a property form may have a single deductible that applies to any single loss for all of your damaged or destroyed property, while other forms may apply the deductible separately to your building and business personal property. If you have several buildings at a single location damaged by a single event, will the deductible apply separately to each building or one time to

the damage to all the buildings?

- **How much you will save**—Once you have estimated how much you have at risk under possible deductible scenarios, consider your premium savings at each of the various deductible levels. Is the resultant risk to your profit statement worth the savings in premium? Decide at which point the balance between the premium saved and the assets risked is most comfortable for you.

We'll be glad to review with you your current policy deductibles, how they apply, and what options and premium savings are available. Let's be sure you feel your program provides you the best combination of cost and benefits now and in the future.

CUMMINGS INSURANCE ASSOCIATES

All Forms of Insurance

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Sprains and Strains Lead Workplace Injuries

More than 1 million injuries and illnesses that require recuperation away from work occur annually in private industry, according to the Bureau of Labor Statistics. The most common part of the body affected is the trunk, primarily the back. The major causes are overexertion (including lifting), contact with objects/equipment, and falls.

So what steps have you taken to prevent or minimize sprains and strains on your worksites? Are you utilizing the latest practices and tools to help prevent these types of injuries from affecting your workers and productivity? Talk with one of our construction insurance specialists before one of your employees becomes the next statistic.



Have we got you covered?

Fill out this form and fax it in.

Or give us a call today.

We'd like to provide you with further information about your business insurance needs and other special coverages. And don't forget your friends! We'd be happy to provide them with the same great service.

Name of someone you'd like us to contact:

Name: _____

Phone: _____

E-mail: _____



Construction

My name: _____

E-mail: _____

My preferred number: (____) _____

Best time to call: _____

Please call me about:

- ☐ Builders risk coverage
- ☐ General liability insurance
- ☐ Employment practices liability insurance
- ☐ Safety and risk management issues
- ☐ A free appraisal of my insurance situation
- ☐ Other: _____