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Risk Manager

Volume 18, No. 2



Protecting your company from disaster

Recent catastrophic events, ranging from natural disasters to terrorist attacks, have clearly demonstrated that the homes, businesses, and communities in which Americans have invested over many years can be wiped out in a matter of hours. While there is nothing you can do to prevent a disaster, there are steps you can take to protect your business in case of a catastrophic event.

Know Your Risks

The first step toward protecting your business from disasters involves knowing and understanding potential risks. Consider how your business and its operations may be vulnerable in such situations and investigate what can be done to minimize exposure to these threats. For example, steps may be taken to mitigate potential damage to your facilities caused by certain natural disasters. Depending on the type of disaster likely to strike in your area, you may want to anchor the building's foundation and roof, add

fire-resistant siding, move electrical panels and furnaces to upper levels, install smoke detectors, and clear brush from around the building. If you are uncertain about what improvements might be most effective, consult with a building inspector.




Obtain Adequate Insurance

Even with adequate time to prepare for a disaster, significant damage to your business and the resulting disruption may be

unavoidable. Consequently, insurance has become an invaluable means of protection for such unpredictable situations.

In order to evaluate your insurance needs, conduct a thorough inventory of your offices and equipment. Keep up-to-date, detailed information about your buildings, furniture, and equipment, including quality of materials, original purchase prices, and serial numbers, which will enable you to prove the value of your business property should it be destroyed or otherwise damaged. This may facilitate timely, accurate payment from your insurance provider and provide proper documentation for tax deductions claimed on losses.

In addition to standard property and liability insurance policies, business owners may customize insurance according to their needs through endorsements, which are provisions that can be added to an insurance policy, at an additional cost, to alter or expand the policy's



Did You Know?

Effective cost management builds a solid foundation

From the smallest proprietorship to the largest international conglomerate, arbitrarily cutting costs can be a “quick fix” for improving the bottom line. However, some cost management techniques may not be in the best long-term interest of an otherwise thriving company.

Many business owners respond to unexpected pressures by reducing costs without a definitive plan of action; their course is reactive instead of proactive. However, such action may be random and shortsighted unless it's in accordance with the company's **business plan**. While arbitrarily reducing costs may appear to alleviate an immediate problem, in some cases only the symptoms—rather than the root of the problem—have been addressed. *Effective* cost management is needed to build a solid foundation for a business.

Taking Control

The focus of a more visionary plan would entail managing costs rather than simply cutting costs. The difference is more than mere semantics. Managing costs is a proactive process of consciously choosing to spend in areas with the potential to produce a positive financial return. On the other hand, cutting costs is a reactive process, which typically happens when things seem to be getting “out of control.”

While both courses of action strive to eliminate waste, effective cost management relates costs to profits, whereas cost cutting is not necessarily related to profits. A haphazard approach can result in the illusion of a better bottom line, when in fact productivity and profitability may be slipping.

Building Blocks for an Action Plan

- **Define the Relationship between Costs and Revenues.** What are your sources of income? Some businesses are product-based, while others are service-oriented. Or, your business might depend on a combination of products and/or services. Once you understand your revenue structure, you must be aware of the costs entailed in generating the revenue stream. Which costs are directly related to producing revenue, and which are general overhead?
- **Reduce Inter-Departmental Complexity.** In any company or organization, the operations of one department affect the others. Is work being accomplished efficiently? Are there unnecessary steps in the process? Are there redundant practices? Are people communicating effectively?
- **Encourage Employee Involvement.** Most employees are experts in what they do because they do it every day. Establish a rapport by seeking their advice and tapping into their creativity. Ask your employees for input before making decisions. By soliciting their suggestions for specific cost problems, you may gain a new perspective, while also motivating employees to become part of the solution.
- **Measure Decisions against Your Strategic Business Plan.** Effective cost management decisions must be measured against your long-term business strategy, rather than within the confines of a short-term situation. For example, if one of your suppliers has reduced prices to get rid of excess inventory, what are you accomplishing if you buy more than

Social Networking and Business Intelligence

Business intelligence (BI) refers to activities a company undertakes to learn about its market and competitors. According to a 2009 survey by BI provider Kognitio® and business solutions provider Baseline Consulting, 63% of BI practitioners are “undecided” about the value of data collected from social media sites to help them understand their organization. Another 23% called social media “overrated,” and only 14% want to incorporate data from social media sites in their ongoing BI efforts.

Telework Preparations

Many businesses remain unprepared for working remotely, according to a 2009 study by the Telework ExchangeSM. While the study found that 81% of IT decision makers have business continuity plans in preparation for a pandemic such as the H1N1 virus, 44% of government agencies and 22% of businesses don't provide remote network access to all employees. Moreover, 46% of public-sector and 39% of private-sector organizations do not provide mobile tech support to employees.

Commuter Benefits

According to a 2009 report by commuter benefits consultancy TransitCenter, 35% of companies offer tax-free commuter benefits, and 7% intend to add them in the future. Commuter benefits are especially popular among companies with over 1,000 employees (58%) and with locations in more than three cities (55%). The main reason cited for offering commuter benefits was cost savings for employees (62%).

For Your Information



Government Contracts

Understanding government contracts and knowing how to obtain them can be very helpful to a small business owner. Several free online courses are offered by the Small Business Administration (SBA) to help prospective and existing entrepreneurs understand the basics. These self-paced courses, which are easy to use and understand, take about 30 minutes to complete. To learn how to take advantage of Federal government contracting opportunities, visit www.sba.gov.

Biological Agents in the Workplace

Biological agents, including bacteria, viruses, fungi, other microorganisms, and their associated toxins, can adversely affect human health in many ways, ranging from mild allergic reactions to serious medical conditions, including death. To obtain technical and regulatory information about the most dangerous and prevalent biological agents in a variety of occupational settings, visit www.osha.gov.

Civil Rights Compliance Assistance

The Department of Labor (DOL) provides clear and easily accessible information about how to comply with Federal equal opportunity and nondiscrimination laws and regulations. Such information and guidance is known as "compliance assistance." The Civil Rights Center enforces the various Federal statutes and regulations that prohibit discrimination. For compliance assistance, visit www.dol.gov.

Six simple tips to trim auto insurance costs

Many business owners who use vehicles as a part of their operations recognize that auto insurance is an essential and valuable means of protection. However, increased repair costs, medical expenses, theft claims, and injury lawsuits are all adding to the cost of auto insurance. While insurance companies do what they can to keep auto insurance affordable, there are also ways you can help control the costs to your business. Here are a few suggestions for lowering your auto insurance costs:

Raise your deductibles. One easy way to reduce insurance premiums is to increase your deductibles, which are the specified dollar amounts you must pay before your insurance company will cover the remaining cost. Higher deductibles mean you assume more of the risk for small claims, so be sure to set deductibles at limits you can reasonably afford, as you will have to pay for them out of pocket should an accident occur.

Drive defensively. To keep costs down, keep your business vehicles in good working order. It is also important to screen the driving records of applicants before hiring and train employees to always drive cautiously and remember to buckle up.

Buy a low-profile car. Using low-profile vehicles may help your business get lower rates. It costs less to insure

autos with less chance of being stolen and autos that are less expensive to repair. A high safety rating for your vehicle may also reduce your premiums.

Reduce insurance on older cars. As your business vehicle ages and its worth decreases, it may not be cost-effective to continue carrying the same amount of insurance as you did when it was new.

Inquire about discounts. Many insurers offer policy discounts for a variety of reasons. For instance, some companies offer a multi-policy discount if they insure both your business property and your automobiles. Others may offer discounts for long-time customers.

Update your policy, as necessary. As your circumstances change, you may become eligible for lower rates. If your business moves its operations to an area with less traffic and a lower crime rate, be sure to update your insurance accordingly.

As rising costs for auto repairs, medical expenses, theft claims, and injury lawsuits drive up insurance premiums, it may seem as if the cost of insuring your business vehicles is out of your control. However, by following the above tips, you may be able to keep your costs to a minimum. Be sure to contact one of our qualified insurance professionals for further information.

Effective cost management builds a solid foundation

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you need for your customers? How will your cash flow be affected? Will you be stuck with excess inventory if the market changes unexpectedly?

Discipline Can Pay Off

In our competitive and unpredictable economy, effective cost manage-

ment is an important component of any successful business. By being aware of your expenses and how they affect the bottom line, you will be in a far better position to create a solid foundation for your business so it can thrive over the long term. That's the bottom line.



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conditions or terms of coverage. In some cases, separate policies may be needed to secure proper protection.

Consider customizing your business insurance program with the following types of coverage:

- **Business interruption insurance** generally provides coverage for loss of profit and continuing expenses after a business has been wholly or partially disabled by a natural or man-made disaster.
- For organizations that must continue to operate after a disaster (e.g., hospitals, newspapers, and insurance agencies/companies), **extra expense insurance** covers extraordinary costs of continuing operations. Covered expenses may include overtime wages, extra travel, the costs associated with working with substitute or makeshift facilities, and the extra costs necessary to expedite repair or replacement of the damaged or destroyed premises.
- Certain natural disasters, such as flooding and earthquakes, are not usually covered under property insurance. To be protected in the event of a flood, you must purchase a separate **flood insurance** policy through your insurance agent in conjunction with the National Flood Insurance Program. Coverage for earthquakes can usually be obtained through a separate endorsement.
- If a covered peril, such as a fire or tornado, damages your building to the extent that the law requires its demolition or complete renovation, an **ordinance or law endorsement** provides coverage to rebuild or repair your facilities in compliance with the most recent local building codes.

- An **accounts receivable endorsement** insures you for any amounts that are uncollectable due to a covered loss, as well as for the costs of collecting the accounts and recreating the records.
- If your business handles perishables, a **spoilage coverage endorsement** protects against losses caused by power and equipment failure, or general contamination resulting from incidents that are beyond your control.



Because your insurance needs may change, it is important to periodically review your insurance program. Give us a call for more information.

Ensure Operational Continuity

In addition to facing large-scale disasters such as hurricanes and floods, businesses can be particularly vulnerable to operational breakdowns due to more mundane—but still potentially catastrophic—events like a crashed server, a robbery, a burst water pipe, or the unexpected death of a key employee.

Here are some other precautions business owners should consider to

ensure operational continuity in case of a disaster:

- Draw up a step-by-step disaster response and recovery plan for your company, including workplace evacuation procedures. Publicize emergency procedures within the company.
- Ensure that more than one manager or staff member has access to essential accounts, legal documents, and client information in case of emergency.
- Invest in power protection systems, such as uninterruptible power supply (UPS) systems, surge protectors, and line conditioners that protect data and equipment during a power failure or spikes in electrical current.
- Invest in up-to-date security software to protect your computer network from hackers and cyber criminals. Programs include firewalls, antivirus, and anti-spyware software.
- Back up data on a daily basis and burn extra copies of licensed software. Store these at an offsite location.
- Plan to set up your operations in an alternate location, such as a branch office or the home office of a partner, in the event that your building is unusable.

The best time to deal with a disaster is before it happens. Knowing your risks and obtaining the proper insurance are essential. Establishing a contingency plan to handle any damage and quickly resume service to clients following a major disruption to operations may also help protect your business from major financial losses.