

The Seven Costly Sins of Insurance Review Neglect

by Ken Von Forell, CPCU Hortica Insurance and Employee Benefits

Business insurance is viewed by many nursery business owners or managers as just a necessary evil. You hire an agent to make sure you have what you want, (adequate coverage at a low price) but many owners go no further, thinking all will be fine if something happens.

Most insurance contracts are difficult, at best, to understand. And because the contract is not negotiable, there are parts of the contract about which the business owner must have a thorough understanding and be prepared to alert their agent to changes therein.

In addition to the standard contract wording, which is known as a "coverage form", there are the parts of the contract that make the coverage form specific to your business. These parts of the contract are known as the "declarations", and or "schedules." These are the areas that should be reviewed and understood by you, because it is only you that might know if the information contained therein is correct or not.

As an owner, you or your trusted designee should take the time to know what the various schedules mean, and to check them each year that you review your policy. Here are the seven areas of possible failure:

Failure to review vital information such as names and dates. This may seem simple enough, but it is not. Indicating who is covered can have major impact at the time of a loss. Insurance companies have rules as to whom and how covered parties are indicated on the policy. Naming all entities that legally have an interest in the policy is not as easy as it sounds. A common example of a problem that comes up is when there is a property loss. The policy will likely say that all entities named on the policy will be party to the settlement check. I remember an owner who had his ex-wife's name on the policy for

years after their divorce was final. He suffered a major fire loss to a building and its contents. When the claim check was cut, her name had to appear on the check because it was on the policy. He had a heck of a time getting her to endorse the check without taking a big chunk of it for herself.

Failure to review deductibles. Controlling costs has driven many owners to increase deductibles on covered property and operations. Deductibles are applied differently based on their type. If you have multiple locations, the deductible might be per location. Other

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Failure to notify changes of address. Many people fail to notify their agent when they purchase or rent a new location. Even if it is vacant land, it should be added to the schedule of locations. Likewise, property you sell should be quickly reported to the agent.

Failure to review property values. There are a number of ways to value property for insurance purposes. The common ones are Replacement Cost, Actual Cash Value and Agreed Amount. Some indication on the schedule of property coverage will tell you how your buildings and contents will be valued at the time of a loss. Actual Cash Value depreciates the property from a current replacement cost. There may be multiple valuations on a single policy. You only get what you pay for, and what you pay for should be clearly indicated on a declaration or schedule. And the valuation may not be what it sounds like. Replacement cost is only replacement cost if you purchased an amount of insurance that will replace what is lost.

deductibles are applied on a per-occurrence or per-claim basis. A significant difference in recovery could come about if you thought you had a per-occurrence deductible and the deductible was actually per claim. Some property insurance can actually be written on a per-building deductible. Here's an example: The owner of a nursery with numerous outbuildings was greatly upset to find the tornado damage to his property had a per-building deductible. When he thought he would pay \$1,000 out of pocket, he ended up paying over \$15,000 because 15 buildings were damaged. The premium saved didn't look so good to him then.

Failure to review schedules of specifically insured items. Some items, such as mobile equipment and vehicles are covered per-item-scheduled on a list. These lists are provided to the agent and the insurance company by the only person who knows what should be on the list: you! If there is an item sold or retired from use, it should be reported to the company so you aren't paying

[THE WSNLA POST]

The Word On WSNLA Members

Color It Spring - Olympic Landscape & Irrigation ushered in Spring with with a landscape display at the Puyallup annual Spring Fair! Enjoy a stroll through our secluded backyard setting where you can escape the busyness of life. Enjoy the fresh spring color as you walk the path through the rolling lawn to that special screened-in retreat. Here on the patio you can relax on the chaise lounge or sit and read by the reflection pool with its quiet bubbling urn. Ahhh... Spring is here! Members of Olympic Landscape & Irrigation's design and service staff were available to answer questions about landscape planning, construction and service. Plus, attendees had an opportunity to enter a drawing to win a FREE Landscape Design, as well as a separate drawing for a FREE Sprinkler or Pond Start-up!



Color It Spring! Olympic Landscape & Irrigation

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Getting the word out about your business is an ongoing job. At the end of the day, you're looking for the most cost effective way to make this happen. WSNLA will spread the word for FREE - it's that easy! Contact Breanne at breanne@wsnla.org or (800) 672-7711.

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premium for it. If you purchase something new, it should be added to the schedule, or it is generally not going to be covered. Automobile fleets are constantly changing. If you finance an auto, the finance company needs proof it is insured, so this prompts the reporting to the insurance company. But if you purchase a used vehicle for cash, you might not remember to report the vehicle. Most companies provide a 30-day window for reporting something new, but those 30 days pass quickly.

Failure to understand coverage limitations. Some insurance policies are written on very broad coverage forms. These policies are sometimes known as "business owner policies." These policies are good because they usually provide a wide range of coverage enhancements without charging for each one. They're similar to buying a package of upgrades on a new car. One caution, however, might be that there are limitations placed

on some of the items. For example, you might see on the schedule that you have protection for burglary and robbery. What you might miss is that there is a limitation for money and securities. So you may think you have \$25,000 of coverage, but the limit for money is only \$1,000. This is spelled out, but only if you look for it.

Failure to understand how your premiums are calculated. General liability premiums and workers' compensation premiums are determined by the classification of the work you do, and the amount of payroll or sales related to it. Sales and Payroll are called the "exposure base", and the description of your operations has a classification code associated with it. Each year you project payroll and receipts for an estimate of the annual premium. After the policy period your records are audited to determine if there should be an additional premium or a return of premium. Your responsibilities here are to maintain good records, make reasonably accurate projections

and make sure the classifications are right for your operations. The rules vary between states, but it should be one of the first questions asked about your premium quote: what is the classification description and what does it include or exclude?

The annual review of your insurance program should be given ample time. Too many nursery owners move right to the page where the renewal premium is listed and don't take the time to question and review the details of coverage they are paying for. Failure to review the variable information on your policy declarations page and schedules could be financially fatal to your business.

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