

Insurance Buyers' News



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Property

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Autos: Fleet Safety Programs Pay

If your company maintains an auto fleet (including passenger vans and pickups), no matter how small, you want to keep your insurance rates under control. One of the best ways to do that is to make your fleet as safe as possible.

There are three ways to make your fleet safer: choosing safe vehicles, screening company drivers, and setting policies for the safe use of company vehicles.

Choosing Safer Vehicles

Some of the factors that affect vehicle safety include:

- 1 **Vehicle size:** In general, the larger the vehicle, the safer. According to the Insurance Institute for Highway Safety, "in relation to their numbers on the road, small cars account for more than twice as many deaths as large cars....Vans and standard-size pickups generally have the low death, injury,

and collision claims results associated with large vehicles." The IIHS defines large vehicles as those with a wheel base of 110 or more inches.

Many companies are concerned with fuel economy. But buying larger cars doesn't necessarily mean you will spend more for fuel. A vehicle's size (its exterior dimensions) has more of an effect on its safety performance than its weight,



This Just In

What do executives and directors worry about most? In a survey released recently by consulting firm Protiviti and North Carolina State University's ERM Initiative, respondents ranked the following concerns:

- 1 **Regulatory concerns.** These could affect production or delivery of products or services.
- 2 **Economic conditions.** Economic conditions affect growth opportunities.
- 3 **Cyberthreats.** Cyberthreats could disrupt core operations and/or damage brands for unprepared organizations.
- 4 **Succession/recruiting.**
- 5 **Organizations' cultural response to risk.** Certain organizations might have a culture that discourages the recognition and response to risk.

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which directly affects fuel consumption.

- 2 Vehicle design: Designs that incorporate strong occupant compartments (“safety cages”) and “crumple zones” in the front and rear help protect drivers and passengers by deflecting crash forces away from the occupants. Other things to look for include side-impact protection, which usually consists of energy-absorbing padding inside car doors and side guard beams; head restraints high enough to support the heads of taller occupants; anti-lock brakes (which help prevent brakes from locking in slippery conditions, but provide no improvement in braking in dry conditions); and daytime running lights.

Crashworthiness affects not only occupant safety, it can also affect your insurance costs. Insurers factor the cost of paying injury claims into auto insurance rates, and safer cars result in fewer injury claims. People who select safer types of cars might also be more careful drivers. Selecting a car with a higher safety rating can reduce your insurance costs.

The National Highway Traffic Safety Administration has a site called [SaferCar.gov](http://www.safercar.gov) that allows users to search its 5-Star Safety Ratings for vehicles by make and model, locate car seat installation help, file a vehicle safety complaint, find recall information and subscribe to automatic notices about vehicle recalls.

Consumers can also find safety information on new car models at other sites. The Insurance Institute for Highway Safety provides crashworthiness test information by make and model at www.iihs.org/ratings/default.aspx. Consumer Reports also provides safety information at its site, www.consumerreports.org.

[consumerreports.org](http://www.consumerreports.org). (Some information available to non-subscribers for no charge, but access to full reports requires a subscription.)

- 3 Lap/shoulder belts: All new passenger vehicles have safety belts. Look for lap/shoulder belts that are comfortable, since they're more likely to be worn. Other things to look for include “automatic crash tensioners” and “webbing grabbers,” which reduce an occupant's forward movement in a crash.
- 4 Air bags: We strongly recommend buying cars that have both front and side-impact air bags. Some models also have “curtain” airbags, to protect occupants in case of a rollover.
- 5 “Smart” features: Experts estimate at least 90 percent of all auto accidents result from driver error rather than mechanical failure. Although the truly driverless car isn't available to the public — yet — many cars today have smart features that can help drivers avoid accidents. These features can warn drivers of upcoming dangers and may take partial control of the vehicle.

Smart features available on some models include electronic stability control, lane departure warning systems, and forward collision warning systems. **Electronic stability control** systems detect when the vehicle is losing traction and use automatic braking of individual wheels to prevent the vehicle from skidding. ESC cannot increase the available traction, but maximizes the possibility of keeping the vehicle under control and on the road during extreme maneuvers. **Lane departure systems** monitor lane markings and warn drivers that their vehicle is unintentionally drifting out of the lane. **Forward**

This Just In

- 6 Aversion to change.
- 7 IT security and privacy costs. Ensuring information security could require significant resources.
- 8 Reputational risk preparation. Respondents might not be prepared to deal with a crisis affecting reputation.
- 9 Customer preference changes. Changing customer preferences and/or demographic shifts could affect demand for products.
- 10 Meeting performance expectations. Existing operations may not be able to meet expectations for quality, time to market, cost, and innovation.

For assistance in identifying and mitigating your organization's risks, please contact us.



collision warning systems use radar to track the position of vehicles in the forward pathway. They use algorithms including speed and distance to alert the driver when the possibility of a crash arises. This can help the driver react in time to prevent a crash. Systems can also include automatic cruise control and braking functions to help avoid accidents.

Screening Drivers

According to the IIHS, a study of California drivers with two convictions during a three-year period “were more than twice as likely to crash during the next three years as drivers with no [moving-vehicle] convictions. Drivers with three crashes on their records were more than three times as likely to crash.” Before hiring employees whose job duties include driving, obtain a copy of their driving record.

Setting Safety Rules

Before allowing employees to use company vehicles, provide them with a list of rules for safe vehicle operation. Your rules should state:

- ✱ Drivers must obey traffic laws, including speed limits.
- ✱ Drivers and occupants must wear safety belts at all times.
- ✱ The use of alcohol and other intoxicants, including legally prescribed drugs, is prohibited while driving company cars.
- ✱ The use of radar detectors is prohibited while driving company cars.
- ✱ Drivers should pull over to the side of the road when using car phones. (You may also equip company cars with phones that offer one-button dialing and hands-free operation.) Check current state law for rules governing cell phone use.

Of course, no rule is effective if it isn't enforced. Define the penalties for disregarding the company's fleet safety rules — from suspension of driving privileges to dismissal — and enforce them. ■

Crisis Management: Where Risk Management and Public Relations Meet

You probably already have a disaster management plan to help your company minimize the effects of a disaster. You've probably considered evacuation of employees and customers, data backup, and contingency plans for manufacturing your products or delivering your services. But have you considered the role public relations can play in managing a crisis?

Crisis Management vs. Risk Management

Risk managers seek to minimize the company's risk. In some instances, it makes sense to deny liability, as when there's a question of fault. However, in a public crisis, this might not be your best approach. Consider your reputation, your corporate philosophy and your customers when formulating your approach. It might make sense to accept blame to protect your most valuable asset — your good name.

Although people use the term “public relations” to describe everything from corporate image brochures to the duties of a sales clerk, “public relations” simply means using the mass media to get an organization's message to the public. Used effectively, public relations can prevent a critical situation from turning into a disaster that can do irreparable damage to the business's reputation and goodwill.

Effective Public Relations

Whatever type of crisis arises — whether it's a scandal involving discrimination or harassment, a data breach or something else — taking proactive steps can reduce the potential dam-

age to your company's brand image, reputation and sales.

- 1 Get informed. Instead of ignoring it, find out what went wrong.
- 2 Get help. If it is a serious problem, hire a public relations consultant if you don't have in-house expertise.
- 3 Get in front of the issue. If the crisis is generating publicity, don't ignore the media. Instead, get out in front of it. Appoint a qualified person, whether in-house staff or your consultant, to be your point person, and respond to media requests for information.
- 4 Be honest. If the crisis occurred because of wrongdoing or negligence on the part of someone in your organization, be honest about it.
- 5 Make it right. If people have been injured through your organization's fault, make apologies and appropriate restitution. And let the media know you are making it right.
- 6 Take corrective action. Take measures to prevent this situation from occurring again.

Although you may never be faced with life

and death problems, any company runs the risk that a problem with its products or actions could affect its reputation. Having an action plan ready before crisis strikes will help you act quickly and correctly. To create a crisis communication plan, you must:

Before a crisis

- 1 Identify your key audiences: These might include your employees, customers, prospects, stockholders, regulators, industry groups, local government, people in your community and the general public.
- 2 Identify the media best able to reach your audiences in a crisis. This can include local and business newspapers, radio stations, local television stations, trade publications, investor publications, client newsletters, websites, emails to existing clients and telephone hotlines. Get the names, phone and fax numbers and e-mail addresses of reporters whose beat includes your area or industry.
- 3 Develop a plan for identifying customers, employees, wholesalers, distributors and retailers who may be affected by the problem.
- 4 Name a company spokesperson. Direct all media inquiries to this person. He or she should be able to handle press inquiries, make statements and work with your public relations firm (if applicable). This person should have the confidence of and immediate access to upper management.
- 5 Train your spokesperson and CEO to deal with the media. Can they handle floodlights and intrusive questions? Role-play crisis situations.
- 6 Prepare one-page fact sheets on the company, its products or services, its finances (if

Data Breaches Can Cause PR Nightmares

While product defects or product contamination cases get a lot of publicity, other companies can also face public relations crises. Any company can be exposed to claims for loss of privacy and more if a hacker obtains customers' credit card numbers, medical information or other private information. Such hacker attacks can cause negative publicity for the company victimized. Accidental data breaches also occur and create similar public relations problems.

Other sources of negative publicity can include executive malfeasance, class-action lawsuits by employees or others, and more. Almost any company can fall victim to bad news, so be prepared to deal with it! ■

- publicly traded) and its mission. Keep these updated for easy distribution when the media make inquiries. When a crisis occurs, prepare a similar fact sheet on the problem and what the company is doing to resolve it.
- 7 Interview public relations firms. Even if your firm doesn't use a public relations firm on an ongoing basis, you may want to have a public relations firm available to handle communications in a crisis.

After a crisis

- 1 Alert the public and your key audiences to the problem.



- 2 If people have been hurt by your company's services or products, show compassion. Issue public apologies. Provide direct aid where appropriate.
- 3 Recall faulty products and potentially faulty products immediately.
- 4 Find the cause of the problem. Look at manufacturing, suppliers, distribution, etc.
- 5 Mobilize other companies in your industry to look for a solution.
- 6 Keep the media informed of your efforts to resolve the problem.

Tips for Handling the Press

- 1 Respond to inquiries immediately. Reporters work on deadline, so if you fail to respond, your side of the story might not get told. A “no comment” or “the company failed to return inquiries” may be interpreted as evasiveness.
- 2 Be honest. A company can survive bad news if it admits the problem and makes necessary corrections.
- 3 Keep your answers short and simple. Think like an editor: long, boring speeches make bad news, whereas quick, pithy soundbites can make a story come alive.

Like your buildings or inventory, your company's reputation is a valuable asset that deserves protection. Public relations, used properly, can help you protect this asset. Specialized policies can protect companies from liability costs related to breach of customers' private information. Manufacturing and production firms can also protect themselves by purchasing product contamination/recall insurance to cover financial losses due to contamination, recalls or extortion by threatening to contaminate a product. Food processors can buy foodborne illness coverage to protect themselves from liability claims arising from contaminated food products.

Some insurers also offer limited coverage for crisis communications. This coverage can provide insureds with funds needed to help control bad news in a crisis. For more suggestions on protecting your reputation in a crisis, please call us. ■

Do You Have Flood Coverage?

Unless you have a separate flood policy, the answer is generally “no.” You can buy a special flood policy to cover this risk. They generally have a 30-day waiting period, so plan ahead if you might need coverage this rainy season.

Standard business property policies do NOT cover damage caused by “flood, surface water, waves, tides, tidal waves, overflow of any body of water or their spray, all whether driven by wind or not; mudslide or mudflow; water that backs up from a sewer or drain; or water under the ground surface pressing on, or flowing or seeping through foundations, walls, floors or paved surfaces; basements, whether paved or not; or doors, windows or other openings.” The business property policy does, however, cover “loss or damage by fire, explosion or sprinkler leakage.” So unless you have flooding caused by sprinkler leakage, your policy won't pay.

The National Flood Insurance Program (NFIP) offers flood insurance to individuals and businesses in “participating communities.” These may be towns, cities, unincorporated county lands and tribal or native authorities that have chosen to participate in a floodplain management program.

Although mortgage lenders might not require you to carry flood insurance if your property is in a moderate-to-low risk area, nearly 25 percent of all NFIP flood claims occur in these areas. Most commercial buildings in a moderate-to-low risk area qualify for preferred rates.

Preferred-rate premiums start as low as \$643 per year for both building and contents, while contents-only coverage starts at \$185 per year. Businesses can buy up to \$500,000 of insurance to

protect your building and up to \$500,000 to protect its contents.

High-Risk Properties

Federally regulated or insured lenders require mortgage holders in high-risk areas to buy flood insurance. In these areas, you can only buy standard rated policies, with separate building and contents coverage.



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You can also buy flood coverage through private insurers. If you need flood coverage to meet the requirements of a federally insured loan, verify that the insurer is “admitted,” or licensed to do business in your state. Make sure the policy guarantees coverage at least as broad as the Standard National Flood Policy and that the insurer will provide thirty days’ notice to the insured and lender before canceling the policy.

A difference-in-conditions (DIC) policy may also provide flood coverage. Most DIC policies exclude coverage for floods, but these non-standard policies can often be tailored to cover unusual risks. DIC policies generally make most sense for larger insureds.

We can help you find the flood coverage you need. Please contact us for more information. ■

How to Minimize Damage from Floods

- 1 Have the right equipment on hand. This includes sandbags to divert water away from your building’s foundation and sump pumps to remove water from enclosed below-ground spaces, such as basements or underground garages. The Institute for Business & Home Safety (IBHS) recommends having sump pumps hard-wired to a back-up generator, as flooding can cut off regular electric supplies. Test the back-up power system, and consider having a back-up sump pump.
- 2 Regularly check underground spaces and foundations for settling or cracking. All buildings settle, but excessive amounts could indicate runoff, underground water, soil compaction or other problems that could lead to foundation damage and flooding.
- 3 Have guidelines for snow removal, if your climate warrants. During snow removal, avoid piling snow against the building walls, keep drains clear and remove snow so snowmelt runs away from the building foundation.
- 4 Regularly inspect drains in parking lots and around buildings. Keep them clear and free of leaves and other debris.
- 5 Regularly inspect landscaping for potential problems. Look for standing water — unless you’re over-watering, this can signal clay-based or heavily compacted soils. These soils won’t absorb water readily, which can cause rapid runoff in a rainstorm or flood. Professional aeration and soil amendment can mitigate.
- 6 Check irrigation systems regularly during daylight hours to spot broken sprinkler heads and other problems. Make sure landscape and maintenance crews know the location of underground irrigation pipes to prevent breakage.
- 7 Keep any water features in your landscaping well maintained.
- 8 Document the locations of any drains, shutoffs and power supplies for pumps and lights; give copies to maintenance and landscaping contractors. ■

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