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# Risk Manager

Volume 19, No. 1



## Energy efficiency and your business

Over the last few decades, low energy prices have permitted U.S. companies to put energy efficiency near the bottom of their priority lists. Poorly insulated buildings have been allowed to leak heat, computers and other equipment have been left on when not in use, and sales representatives have been allocated gas-guzzling company cars. While these inefficiencies may have had relatively little impact on the bottom line while energy was inexpensive, they have been cutting into profits significantly since the recent surge in oil and natural gas prices.

Taking the necessary steps to ensure your facilities, vehicles, and equipment are energy efficient is an investment that can yield substantial dividends. By upgrading to energy-efficient equipment and improving energy management practices, businesses can reduce their energy costs.

### *Conducting an Energy Audit*

If you have not recently conducted an energy audit of your business,

consider doing so. Contact your energy utility company to find out if they offer on-site visits from technical consultants, who can inspect your facilities and equipment and recommend ways to reduce your energy use.



You may find that your utility company, and often your state and local government, offers incentives

and rebates to businesses that upgrade to more energy-efficient equipment. Many utility and energy service companies have performance contracting or shared savings programs, which enable businesses to buy energy-efficient machinery and systems without investing capital upfront. Instead, the new equipment is paid for over a number of years out of the energy savings generated.

In addition, you may be eligible to take advantage of specialized services, such as the U.S. Department of Energy's Industrial Assessment Centers program, which performs industrial assessments and energy audits for small and medium-sized manufacturers at no cost to the business owner. Government agencies or non-profits may also provide professional expertise to smaller companies.

### *Implementing Energy-Saving Measures*

Before you bring in the experts, conduct your own informal audit, which may expose areas where you

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# Did You Know?

## Boiler and machinery insurance

When a mechanical, electrical, or pressure breakdown occurs in your business, there's no time to waste. Without the necessary equipment repairs, you may have to close shop until machines are up and running again. In addition, businesses that store perishable products also face the risk of losing inventory due to spoilage.

In such a situation, the last thing you want to hear is more bad news. This is why any business that depends on machinery or other vital equipment may want to consider a **boiler and machinery insurance** policy. Since **commercial property insurance** policies generally do not cover mechanical, electrical, or pressure breakdowns, a boiler and machinery policy can be a valuable addition to your insurance program.

Boiler and machinery insurance covers the breakdown of a wide variety

of equipment, including heating, air conditioning, and refrigeration systems; compressors; steam boilers and steam piping; electrical systems; and much more. In general, coverage provides for the following:

- Equipment repair
- Extra expenses incurred to get the business running again
- Business income that may be lost due to suspended business operations
- Product loss resulting from equipment breakdowns

While machinery is at a standstill, there is a good chance that your business may also come to a halt. Therefore, it's wise to inspect your equipment regularly to prevent breakdowns. Also, make sure you have the proper insurance coverage. We would be happy to review your risks and provide more information should you be interested.

## Assessing business risks

Business insurance and risk management programs are designed to help reduce and control costs. In assessing the risk exposures particular to your business, consider *what* can go wrong and *how* such events might affect your business.

Risk exposures generally fall into three categories: direct and indirect property losses; loss of income attributable to property losses; and liability losses of a general, statutory, or contractual nature.

Renewing policies without examining your current risk exposures may prove costly. For example, if a business has grown, coverage limits that were adequate at one time may not meet current requirements. Furthermore,

changes in the nature of your business may mean that additional coverage is needed.

Enlist both management and employee input when evaluating your business. Daily familiarity with specific areas of operation may make one person aware of potential risk exposures that may seem insignificant to someone with a different perspective. Also, examining past loss patterns can help you determine how successful your loss control strategies have been.

Here are some questions you might ask to help determine the adequacy of your current coverage:

- What is your product or service, and to what extent could using it harm someone?

## Employee Tenure Trends

Average employee tenure is on the rise, according to a 2010 report by the U.S. Bureau of Labor Statistics (BLS). Data from the January 2010 Current Population Survey (CPS) showed that the median tenure of wage and salary workers rose to 4.4 years in 2010, from 4.1 in 2008. A total of 29% of all the wage and salary workers were found to have 10 years or more of tenure in 2010.

## Preventive Health Care Services

Many U.S. employers that sponsor health insurance offer a range of preventive care services, including vaccinations, screenings, and education programs, according to a 2010 study by the Midwest Business Group on Health (MBGH). Nearly all the surveyed employers (97%) agreed that they have a responsibility to offer preventive care services, and the top reasons for providing these services were to reduce medical disability costs (94%), promote employee health (84%), and keep employees productive (59%).

## Solar Employment on the Rise

In the first ever review of the U.S. solar workforce, the Solar Foundation, a nonprofit education and research organization, found that hiring is on the rise. As of August 2010, the National Solar Jobs Census 2010 identified more than 16,700 solar employment sites and 93,000 solar jobs throughout the United States. Employers expect to increase the solar workforce by 26% in the next year, representing nearly 24,000 net new jobs.

# For Your Information

## USDOT for Interstate Transportation

Businesses involved in the interstate transportation of passengers or cargo must be registered with the U.S. Department of Transportation's Federal Motor Carrier Safety Administration (FMCSA) and must have a USDOT Number. This number serves as an identifier when collecting and monitoring a company's safety information during audits, compliance reviews, crash investigations, and inspections. To learn more, visit [www.dot.gov](http://www.dot.gov).

## SCORE Mentors

A resource partner of the U.S. Small Business Administration (SBA), the Service Corps of Retired Executives (SCORE) provides free and confidential advice for entrepreneurs. In addition to viewing their online workshops and e-newsletters, business owners who visit [www.score.org](http://www.score.org) can enter keywords for a business topic and search by region or industry to receive a list of mentors who give online advice. As an alternative, entrepreneurs can meet an expert in person at one of their 350 offices nationwide.

## FTC's Business Center

The Bureau of Consumer Protection of the Federal Trade Commission (FTC) enforces laws that protect consumers against unfair or deceptive business practices. The Business Center provides tools, including guidance documents, legal resources, videos, and podcasts, for business owners to promote compliance with these laws. Guidance documents are available by industry and by topic. For more information, visit [www.business.ftc.gov](http://www.business.ftc.gov).

## Get "up and running" quickly after a computer disaster

Suppose you open your doors for business one morning only to discover that water damage from heavy rains the night before has shorted out your computer equipment, leaving your automated systems inoperative. Or, perhaps, an overnight power failure has deleted a large portion of your electronic records. Without warning, your entire business operation could be in jeopardy. Fortunately, this type of disaster needn't be a major setback for your company. By taking the right steps now, you can get yourself "up and running" with minimal delay.

**1. Insure yourself against electronic data processing losses.** Standard commercial insurance packages do not cover all losses relating to computers and other electronic equipment. **Electronic data processing (EDP) insurance** is specifically designed to fill this gap. EDP insurance generally covers your electronic data processing equipment, all of your computer data, and the disks or tapes on which it is stored, as well as additional costs necessary to continue normal business operations after a disaster. It also covers any lost business income due to the disaster. EDP insurance may include protection against a wide range of threats including damage from water or other liquids, rust, corrosion, mechanical breakdowns, changes in temperature and humidity, power fluctuations, sewer backups, theft, vandalism, and earthquakes.

**2. Back up your systems regularly.** From customer records to accounts receivable and payable, your company undoubtedly relies on a vast store of electronic data. If this information were lost, it could be expensive and time-consuming—and, in some cases, impossible—to recreate. Make it a practice to back up your data nightly and to store the backup data in a safe,

offsite location. It's also a good idea to keep a second backup copy from the previous day.

**3. Practice recovery drills.** Even if you have the foresight and commitment to back up your systems on a regular basis, how quickly could you get your computers up and running if disaster strikes? Do you know exactly how to restore the data? Are you sure the tape drive you use for backups is still compatible with your system? The best way to answer these questions is to run a practice drill occasionally. This can confirm your backup tapes are free of defects and that you are indeed able to respond quickly in a true emergency.



In today's competitive business environment, you can't afford to lose one day to a computer shutdown. Businesses that *plan ahead* are in the best position to keep disruption to a minimum. Following these steps can help get your company "up and running" quickly if disaster strikes. Give us a call today for more information on EDP coverage.





## Assessing business risks

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- Does your business own or lease property?
- What is the current replacement value of the property used in your business?
- Does the location of the property make it susceptible to particular hazards (e.g., high crime area, flood plain)?
- Does the use of the property entail unique risk exposure?
- Is your business involved in storing or transporting goods?
- To what extent is your business dependent on a major supplier or purchaser?
- How would different types of property loss affect your ability to get your business back up and running?
- How central is computerization and data management to the operation of your business?

- How does “down time” translate into cash flow drain and lost earnings?
- Do any of your contracts or leases require you to assume liability for another party?

Although not an exhaustive list, these questions can serve as a starting point for assessing your risk management program. Usually, the parameters of property exposure can help uncover the areas of income and liability exposure that need to be addressed.

Once you know the scope and magnitude of the risk exposures specific to your business, you can design an effective risk management program. While various types of insurance may play a central role in your strategy, eliminating or reducing risk exposures is also an integral part of a complete program.

Things can change quickly in the business world. By meeting with one of our qualified insurance professionals,

you can assess how your business is growing and changing, thereby ensuring that your risk management program continues to meet your needs.



## Energy efficiency and your business

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can start saving energy immediately. You can use online tools provided by your utility company or perform an energy use analysis at [www.energyguide.com](http://www.energyguide.com).

Strolling through your building after hours, for example, will demonstrate whether computers and other equipment are left on overnight. Allowing a single monitor to run overnight and on weekends may not seem like a big waste, but costs can add up over time given the volume of equipment your business uses. Instruct your employees

to turn equipment off or put computers into sleep mode when they leave work. You may also find that lights are left on, or heating and cooling systems are left running, after hours or in areas of the building that are infrequently used. This can be resolved by educating employees or installing motion sensors or timers. Check, too, for malfunctions in equipment that can cause machines to run inefficiently.

If you have a fleet of company vehicles, consider trading some or all of

them in for more fuel-efficient models. Regular maintenance can also help to keep gas costs down (and make your fleet safer!). To discourage inappropriate and wasteful use of vehicles, ask employees to log their mileage.

After you have conducted your analysis, you may find that adjusting habits and making even minor improvements to systems that use a lot of energy, such as heating, cooling, or lighting, can produce substantial cost savings.