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Risk Manager

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Mold protection for your business

One of the worst effects of water damage comes in the form of a fungus called mold. Whenever water enters a building, mold can form on a wide range of materials, including drywall, wood, and carpeting. Because mold survives by decomposing and absorbing organic material, it can cause serious damage within a short period of time.

Besides causing structural damage to buildings, mold can be a source of health problems for occupants, too. According to the Centers for Disease Control and Prevention (CDC), mold can produce allergens, irritants, and potentially toxic substances. People who touch or inhale certain types of mold may experience symptoms such as headaches, sneezing, congestion, shortness of breath, and irritation of the skin and eyes. People with respiratory conditions or compromised immune systems may be most susceptible to mold-related health risks.

Prevention Tips

Given the risks associated with mold to your building and to your



employees, it is important to fix any water or moisture problems as soon as possible. Preventing mold and its growth in the first place is the best way to avoid costly damage and expensive liability litigation.

Here are some tips for minimizing or preventing mold:

- **Reduce Humidity.** Air conditioners and dehumidifiers can help keep the humidity level of your building between 30% and

50%, as recommended by the Environmental Protection Agency (EPA). Keep drip pans and drain lines clean. Avoid or remove carpeting from damp areas, and install exhaust fans in kitchen and bathroom areas. To increase ventilation, open windows when possible.

- **Use Mold Inhibitors.** Regularly clean moisture-prone areas, such as basements and bathrooms. Also, consider using paint that has a mold inhibitor when painting damp areas.
- **Maintain Your Building.** Replace or repair a leaky roof, keep gutters clear, and make sure the ground slopes away from your building to avoid puddles around the foundation. In addition, regularly inspect your plumbing and appliances, and consider replacing water hoses every five years.

Cleaning Up Mold

If you have water damage or excessive moisture in your building,

CONTINUED ON PAGE FOUR



Did You Know?

Preventing employee fraud

Is your company susceptible to employee fraud? Small to mid-sized businesses may be especially vulnerable because they tend to place more trust in employees who have access to company assets, and they generally have fewer financial and security controls in place. The most commonly targeted assets are cash, tangible assets, intellectual property, and time.

Cash. Funds can be stolen through forgery, check manipulation, or purchasing fraud. For instance, a bookkeeper may insert checks made out to himself or herself among the legitimate checks presented for signature. Or, an employee could conduct business with an outside company in which he or she has a financial interest, or favor a particular vendor in exchange for regular gratuities or kickbacks. In one scam, an employee creates a fictitious company and embezzles funds by submitting phony invoices.

Tangible Assets. Equipment, inventories, office furniture, and supplies are valuable commodities. All are susceptible to theft through inadequate inventory control systems or weak security.

Intellectual Property. Intangible assets, such as customer lists and pricing policies, are also important to a company's success. The theft of confidential material, including computerized data, can occur when companies fail to establish and enforce appropriate safeguards.

Time. Time theft occurs when employees simply waste time on the job. Employees also steal time when they improperly punch their time cards, thereby overstating their hours on the job. A less obvious situation involves time lost due to fraudulent workers compensation claims.

Tips for Prevention

Employee dishonesty insurance can limit the financial consequences of employee fraud, but taking steps to minimize the chance of an incident is equally important. Consider the following low-cost tactics:

- **Conduct thorough background checks on prospective employees.** Verify all résumé information and request an explanation for any unaccounted time. To protect against false references, don't rely solely on the résumé for the telephone numbers of previous employers.
- **Create a code of ethical conduct.** Defining acceptable standards of behavior can be an effective deterrent in preventing employee fraud.
- **Institute financial controls.** Require employees to disclose all employment and business relationships. Be sure to separate financial functions such as writing and signing checks, recording receivables, and making deposits. To prevent employees from concealing misconduct for extended periods, require short-term rotations or periodic vacations for those who handle cash. Conduct annual independent audits, including reviews of outside vendors to ensure they exist and that the company is paying market rates for goods and services. These controls should apply to everyone, including family members and long-time employees.
- **Establish security systems to protect tangible assets and intellectual property.** Show employees that the building and grounds are monitored. Let them know that the inventory of equipment, products, and supplies is routinely audited. Change computer passwords monthly and limit dial-up access from outside the office.

Trends in Life Benefits

According to a U.S. Bureau of Labor Statistics (BLS) report, 56% of private sector employees and 78% of public sector employees participated in employer-provided life insurance plans in March 2010. However, coverage levels varied, with some organizations offering coverage equal to a fixed multiple of earnings (commonly one or two times earnings) and others offering a flat dollar amount (with median amounts of \$15,000 for private employees and \$20,000 for public workers).

Importance of Customer Service

According to a 2011 survey by Monster Worldwide, customer service is an important factor in consumers' buying decisions. In fact, 72% of respondents said customer service influences their decisions heavily when considering a purchase. When asked to identify aspects of good customer service, most named courteous and well-mannered treatment (90%) and clear communication (90%). Other factors included staff knowledge, ability to resolve issues in a timely manner, and attentiveness.

Coping with Information Overload

"Information overload" is a widespread challenge, according to a 2010 study by workflow solutions provider LexisNexis. A majority of respondents (51%) said that they spend more than half of their workday receiving and managing information, rather than using it to do their jobs. However, more than 80% said their companies have taken action to help them manage information more efficiently, such as investing in technology, offering training, or establishing "e-mail-free" times.

For Your Information



Community Data

A solid understanding of local market and economic conditions is important to business growth and success. Community data can provide valuable information to businesses as they make strategic decisions about marketing, product pricing, expansion of services, and relocation. The U.S. government provides a collection of resources and free access to Federally collected business and economic statistics. For details concerning population demographics, economic indicators, employment, and business production and sales, visit www.business.gov.

Poster Advisor

The U.S. Department of Labor (DOL) offers a number of elaws Advisors, which are interactive tools that provide information about Federal employment laws. The Poster Advisor helps employers comply with the poster requirements of several laws administered by the DOL. These laws require employers to display official DOL posters where employees can readily view them. Posters can be obtained through the DOL at no cost to employers. For more information, visit www.dol.gov.

BetterBuildings

The BetterBuildings program, sponsored by the U.S. Department of Energy (DOE), seeks to improve the energy efficiency of homes, offices, hospitals, schools, and other types of buildings across the United States. As part of the program, state and local government leaders receive BetterBuilding grants to expand the building improvement industry and implement new energy efficiency technology, products, and tools. To learn more or connect with a grant recipient, visit www.eere.energy.gov.

Taking a closer look at professional liability insurance

When considering professional liability insurance (also known as malpractice insurance and errors and omissions insurance), you may need to decide between two types of coverage: **occurrence policies** and **claims-made policies**. These policies differ in features, so prepare for this important decision by understanding each policy's distinctions.

Claims-made policies provide coverage for incidents that occur between the policy's inception and expiration dates *only if* the claim is also filed during the covered time frame. Claims filed during the coverage period that occurred prior to policy issuance may be insured under **"prior acts" coverage**, which is included in some policies. However, even these are restricted by a retroactive date, before which incidents are not covered. Liability limits are determined according to the level of coverage at the time the incident occurs.

Claims-made policy premiums are usually lower than occurrence policies, but if you cancel a claims-made policy, extended reporting periods (or **tail coverage**) may need to be purchased to extend the discovery period, during which notice of a covered claim may be filed. Extended discovery periods may be available for anywhere from six months up to seven years. The cost of

tail coverage can be high, and consequently, occurrence policies, when available, may be preferable.

Occurrence policies provide coverage for incidents that occur during the policy period, regardless of when they are reported. For example, if you had an occurrence policy in effect from 2008 through 2010 and a claim for an incident occurring in 2009 was filed in 2011, coverage would be provided. One advantage to this policy is that any incidents occurring during dates of coverage are indefinitely covered. This policy does not require tail coverage because premium rates reflect the ability to report claims indefinitely for events that transpired during coverage dates. Effective liability limits are those that are in place at the time the incident occurs, even if the claim is made after higher amounts of insurance are purchased.

Unfortunately, we can't always prevent the events that happen or predict the reactions of others to our business actions, products, or services. Mistakes can be made just as easily as false accusations. Therefore, it is up to you to protect yourself and your company. Doing so may just be your best business move to date. Give us a call. We would be glad to help you understand the complexities of professional liability insurance.

Preventing employee fraud

CONTINUED FROM PAGE TWO

- **Create a safe channel for employees to report suspected fraud.** Set up a toll-free telephone number, post office box, or locked suggestion box to allow employees to report misconduct anonymously.

Employee fraud can be costly for your business. Even the most trusted

employees may be subject to temptation and lapses in judgment. So, be sure to establish practices and procedures that prevent employees from having the *opportunity* to commit fraud in the first place.



Mold protection for your business

CONTINUED FROM PAGE ONE

it is important to act quickly. If you dry affected areas within 24–48 hours, you may be able to prevent mold growth.

Once mold starts to grow, you may be able to minimize damage by thoroughly cleaning moldy items and drying water-damaged areas. Porous items, such as ceiling tiles, rugs, and papers, may have to be discarded. For harder surfaces, scour the area with detergent and water. When treating mold or using strong cleansers, limit your exposure by wearing a disposable mask or respirator, as well as gloves and goggles. Also, keep the area well ventilated with open windows and fans.

For extensive problems, consider hiring an experienced contractor, especially if there is risk of contamination from sewage or another toxin. If your heating

or air conditioning system is harboring mold, keep the system off and seek professional guidance.

Insurance Considerations

Your property insurance policy may provide limited protection for mold damage; it may only cover contamination resulting from a covered peril. Mold damage may be subject to low policy limits, such as \$10,000, unless the loss is the result of fire or lightning, when full coverage applies. For example, if a pipe bursts in your building causing water damage, your insurance would cover the cost of eliminating mold, subject to policy limits. Unless damage results from a sudden or accidental disaster covered under your policy, the cost of treating mold is considered part of the owner's obligation to maintain a

building. The expense of treating mold caused by leaks or excessive humidity, for example, would not be covered.

With proper maintenance and regular cleaning, you may be able to prevent mold damage in your building. Be aware of the places mold can hide: underneath wallpaper, in ceiling tiles, under rugs, or behind furniture, where condensation may be trapped. If a room smells musty or you see a watermark, investigate to ensure that a water problem is not lurking nearby.

Three Key Steps for Mold Control

1. Control moisture using dehumidifiers and air conditioners.
2. Clean up mold promptly and dry out affected areas.
3. Fix water problems.

Report claims immediately

We are constantly looking for new and better ways to help control your insurance costs and improve our service to you. You can help us achieve both of these goals by *immediately* reporting to us any claims or incidents that could result in claims. We can then offer suggestions on what steps to take next and promptly notify your insurance company of the details.

Your insurer needs the opportunity to conduct an adequate and timely investigation of all circumstances surrounding your claim. Prompt notification allows your insurance provider to act on the

claim quickly, which results in better service and, in the long run, reduced insurance costs.

With **workers compensation** claims, timely notification also demonstrates your concern for your employees. Reporting claims immediately may help you avoid late penalties and fines that are enforced in some jurisdictions.

We are striving to help control your premiums and ultimately improve the quality of your overall insurance program. We hope you never experience a loss, but if you do need to file a claim, we are here to assist you.

