

Save Money on Records Management Business Insurance

By Carl A. Gerson

There is more to keeping down insurance costs than negotiating the best rates. Here are a few areas to consider that will help your business keep insurance costs down. Of course, every business is different and requires its own analysis from your broker. The records management industry is unique and not every insurance broker understands it, so talk to an insurance broker who is a specialist in your industry.

CONTRACTUAL LIMITATION OF LIABILITY:

This is possibly your most important protection from liability. It designates a specific value to each carton or file – the industry standard is typically \$1 or \$2 per unit. The value of business records varies and could be based on both the intrinsic value as well as the reconstruction cost of the records. Without the ability to define the value of each individual box, you must set a limit to their value.

Many customers mistakenly assume that your facility has the full burden of insurance for their stored materials. Make it clear that customers' goods are not insured for their full value. Remind customers to discuss the extent of the coverage for their stored material with their own insurance agent. A separate "letter of understanding" outlining this fact should be used and signed by your customer as well as the contract.

In a recent lawsuit, an award was made based on the value of the records lost, not the \$1 or \$2 per-box figure for which the boxes were insured. While this is not a typical case, ask your broker if you should increase your Warehouse or "Property of Others" limits. You can also have special coverage for specific customers who want more protection due to the value of their stored materials.

BUSINESS INCOME & EXTRA EXPENSE INSURANCE:

These two coverages both replace your lost income your business would have earned during the time you are closed after and while recovering from a loss as well as pay for the extra expenses to get back in business as quickly as possible. However, a Business Interruption Insurance claim

can be difficult to settle because lost income (not gross revenue) must be accurately predicted far in advance. "Revenue" is the total amount of money brought in by the business. Your "income" is your net profit. Coverage is usually limited to a specific time frame or ends once the property becomes usable again for business. This means that when your warehouse is repaired or rebuilt your coverage essentially ends. It will however take many years for you to regain your lost revenue.

If the amount of insurance bought does not match the amount you should have bought, a co-insurance penalty can decrease your final settlement. You will also need to provide exhaustive records at the time of claim to substantiate your loss of income and will probably need the services of a good accountant to aid you in your negotiations with your carrier.

In conjunction with the insurance broker Capacity Coverage Company, Lloyds of London recently launched an exclusive program called Storage Plus to provide increased business interruption coverage for the records storage industry.

This new coverage is written on an "agreed-amount" insurance form -- the insurer pays an agreed amount depending on the number of record storage boxes destroyed. The claim only involves documenting the number of boxes destroyed. When a disaster occurs that destroys storage materials, in addition to having to handle insurance claims, you also lose the future revenue storing those materials would have generated. Storage Plus is designed to replace your potential lost revenue - not only your lost income. Typical Business Interruption coverage is limited to a specific time frame. Storage Plus compensates you for the revenue you would have had if the destroyed boxes had continued to generate storage income. Storage Plus can also be used if customers want higher per box coverage.

Lawsuits are only one potential business consequence of a records storage facility fire. After a fire, you often need to lease temporary space and purchase new equipment to stay in the business while struggling to keep your employees paid. It is advised to project these potential costs in advance to ensure your combined Business Income and Extra Expense insurance limits are enough to meet them.

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ORDINARY PAYROLL INSURANCE:

This coverage is a Business Income Insurance option that can help you pay your employees. This is especially important if you want to keep key long term employees that provide real value to your company. You can't expect them to wait unpaid while you reconstruct your company but paying them while you have no revenue stream might not be possible.

CONTRACTS:

Too often companies sign contracts or have customer agreements without a review by an attorney or insurance broker. There are also some very talented and knowledgeable consultants who specialize in the records management industry who can help you draft a very good customer contract. It is a mistake to assume your insurance will cover any liability the contract requires you to assume.

EMPLOYMENT PRACTICES LIABILITY COVERAGE:

You have read the papers and you have seen the headlines about major companies being sued for wrongful termination, sexual or racial discrimination, or sexual harassment. It can happen to your company. Even if your company or its employees have done nothing wrong, lawsuits are expensive to defend. Ask your broker to compare the cost of defending a suit against paying for the coverage.

UMBRELLA LIABILITY:

Many companies do not purchase Umbrella coverage even though it can be a cost effective method protecting them for a catastrophic loss. Ask your broker to compare the financial impact of potential damage awards versus some level of umbrella coverage.

CYBER LIABILITY:

Record storage companies that offer online systems for customers to review their records inventory should consider Cyber Liability coverage. This coverage is for losses that occur due to accidental alteration or destruction of electronic data. If someone hacks into your website and obtains customers' information, you are covered for damages that may occur if confidential records such as bank statements or medical records are stolen.

UNINTENTIONAL REVEALING:

Covers you for claims arising solely out of the Unintentional Revealing of Confidential Information belonging to a Third Party(ies).

LOSS CONTROL:

Ask your agent if your insurer offers loss prevention programs – lower claims usually mean lower premiums. Many insurers will send out their inspectors to review your facility if it is over 20,000 square feet. Their goal is to help you, not “catch” you. You and your insurance company share the same goal - keep claims down by avoiding accidents before they happen.

DEDUCTIBLES:

Ask your insurance broker about the financial impact of increasing your deductibles - especially if your company owns its building. If your deductible is \$1,000, increasing it to \$2,500 or \$5,000 eliminates small “nuisance claims.” The cost savings on your insurance may justify the expense of paying the small claims out of pocket.

Everyone in business wants to reduce insurance costs. Looking at how your business operates and understanding your insurance options, can help you reduce your insurance costs and prevent expensive claims before they happen.

Carl A. Gerson is the COO of Capacity Coverage. He can be reached at 1-800-222-2425 or visit www.capcoverage.com.

Judkiewicz Appointed President of International Shredding Association

Allen Judkiewicz, General Partner for Mobile Document Shredding, an “AAA” Certified on site document shredding company, was recently inaugurated as the president of the National Association for Information Destruction, Inc. (NAID) at its annual conference in Phoenix, AZ. NAID is the international trade association for companies providing information destruction services.

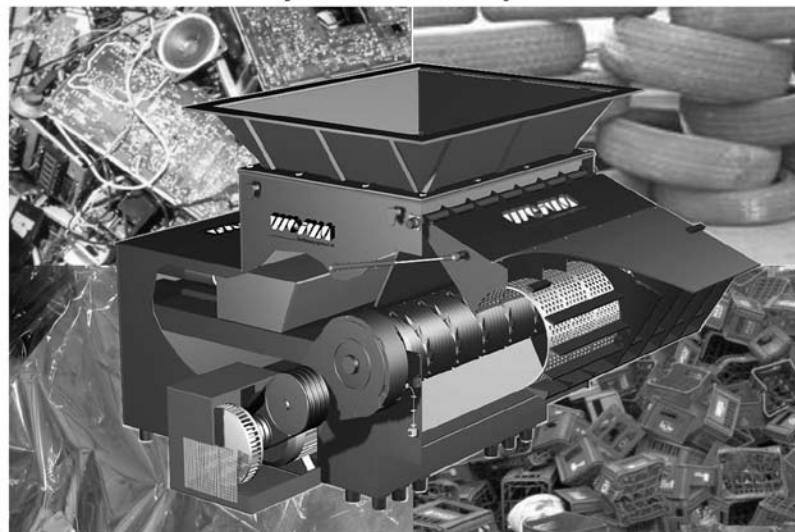


Allen Judkiewicz

As NAID President, Judkiewicz, will be the principal member of the Association, having general supervision and control over its business and affairs. During his 7 years of membership, Judkiewicz has service on the NAID Board as Director and President-elect. Judkiewicz has also served as Chairman of the Complaint Resolution Council, Government Relations and Membership Committee.



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