



Issue 2  
Volume 2

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## Do You Have a Disaster Recovery Plan?

Hurricanes. Tornadoes. Floods. Natural disasters can shut the doors of a business for days, weeks or even months. For some small business owners, the inability to recover quickly can spell a death knell. Having a disaster recovery plan in place can make the difference between going forward and going under. It can help to bring organization to an otherwise chaotic situation.

### Assess your needs

A disaster plan begins with assessing your needs. Your insurance agent can review your business and determine what you need to cover, such as loss of net income, any continuing operating expenses that would have to be paid while the business was closed, or extra expenses incurred after a disaster.

### Organize important documents

Having all the information you need in one place will save you precious time in the face of a disaster. The documents and information you should safeguard will depend on the type and size of your business. You need to assess what information is critical. The nature of your business may make off-site backup of computer files imperative, for example.

The standard business owners' insurance package includes business income insurance, which covers loss of business income should operations be interrupted. In the face of a loss, you will need, among other things, to provide financial information to your insurance company. These records enable an adjuster to estimate what your profits might have been if your business had not been closed.

Generally, copies of documents you should

have ready include items such as:

- Insurance policies
- Bank account numbers
- Leases
- Most recent income tax forms
- Historical sales records
- Inventory

Also, make a list of contact names and numbers of the people you would have to contact. These would include, for example:

- Insurance agent
- Landlord
- Banker
- Accountant
- Creditors
- Suppliers
- Employees
- Customers
- Utilities
- Cleaning service

### Prepare an evacuation plan

An evacuation plan ensures that you and your employees know beforehand how to proceed in the face of an emergency. This would include preparations to safeguard equipment and files, and/or shut down facility operations. Discuss your emergency plan with your employees and have assignments in place so that they know what is expected of each of them. Post a copy of your evacuation plan where employees can easily refer to it. Also prepare a step-by-step list of procedures required to resume operations.

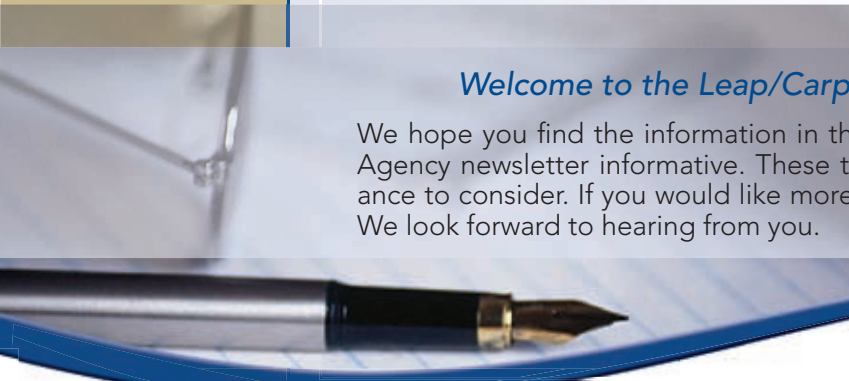
### Safeguard your documents

Off-site storage of important information is essential. Put copies of your documents, evacua-

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## Welcome to the Leap/Carpenter/Kemps Insurance Agency Newsletter!

We hope you find the information in this latest issue of the Leap/Carpenter/Kemps Insurance Agency newsletter informative. These topics address some important areas of personal insurance to consider. If you would like more information on any of the topics, please give us a call. We look forward to hearing from you.





## Protect Your Company from Identity Theft Liability

If your business does not properly dispose of personal information from customers or employees you could be fined, sued or involved in a costly class action lawsuit. Effective June 1, 2005, the new strict information Disposal Rule changed the way nearly every business in the United States must handle sensitive personal information.

Identity theft is the fastest growing crime in America. The Federal government has recognized that improper disposal of sensitive information is a key cause of identity theft and is firm in its commitment to prevent identity thieves from obtaining personal information.

The Fair and Accurate Credit Transactions Act is an amendment to the Fair Credit Reporting Act. The new Disposal Rule portion of the law requires companies to properly dispose of all paper or electronic personal data by reasonable measures such as shredding or burning for paper records. Third party companies that specialize in proper information disposal can be contracted to handle this responsibility.

If you do not comply with the new Disposal Rule, your company could be subject to civil liability for actual or statutory damages as a result of your inaction leading to the identity theft; class action lawsuits, if a large number of employees or

customers are involved; and federal fines of up to \$2,500 for each violation, and state fines of up to \$1,000 for each violation.

When implementing information disposal practices, consider the following:

- Have a valid reason for requesting the information that you gather.
- Acquire data in a private manner that cannot be seen or overheard.
- Install effective security on systems that store personal data.
- Make sure that sensitive data is treated as highly classified and is access controlled.
- Make all paper and electronic documents unreadable before disposing of them.
- Train all personnel in proper procedures for identifying, handling and disposing of personal information.
- Consider conducting background checks on all employees with access to identifying information including mailroom staff, clean-up crews, customer service technicians and temporary workers.
- For your protection in case of a lawsuit, formalize your information disposal program including maintaining detailed documentation of each security measure you establish.

## Most Companies View Employment Liability Claims Through Rose Colored Glasses

"It will never happen to me" is a multi-purpose rationale people use to avoid doing what they know they should, especially when it is difficult or requires extra effort. Interestingly this rationale also applies to small and medium-sized businesses wanting to avoid the issue of employment practices liability (EPL).

Research proves there is no reason for employers to adopt such a rosy outlook. According to November 2005 figures from Jury Verdict Research, the average compensatory jury award for employment practices liability lawsuits has risen by an annual average of almost 5 percent. The average amount for these awards in 1998 was \$164,200, which rose to \$218,133 in 2004. A significant factor in this trend has been the U.S. Equal Employment Opportunity Commission's aggressive approach in prosecuting offenders. The agency obtained an unprecedented \$168.1 million in awards in 2004.

Jury Verdict Research went on to note that since 1998 the most frequently targeted businesses are retail and service companies. Although these lawsuits outnumbered those brought against manufacturing and industrial companies by more than three to one, the average awards against manufacturing and industrial companies were far higher. Awards in manufacturing and industrial company suits averaged \$250,000, as compared with \$137,853 for retail and service companies.

With statistics such as these, why would any business risk liability when it comes to employment practices? Specialty insurer Beazley commissioned research to find the answer to that question. What they discovered was that many small and mid-sized businesses have developed a sense of prosecutorial immunity from the media's bias toward reporting only awards against Fortune 500 corporations. This reinforces the impression that EPL claims are only a problem for large companies that maintain public visibility.

What should a small company do to protect itself from EPL claims? Start by reducing your exposure with a comprehensive employment practices program. Your program should not only spell out company policy, but must be specific in terms of the consequences for violating that policy. The next step you need to undertake is to protect your company's financial assets. You can transfer this risk by purchasing Employment Practices Liability Insurance. While sound employment practices and well-trained managers can help reduce the risk of EPL suits, if an employee feels they have been unfairly treated, they can take legal action at the drop of a hat. For this reason you should consider the financial protection an EPLI policy provides.

## Prescription Drugs Are Largest Slice of Out-of-Pocket Spending Pie

For the average person with medical expenses, nearly half of their out-of-pocket costs go towards paying for prescription drugs, according to an analysis of health care spending by the Kaiser Family Foundation. This is true for people with both very high and very low overall health care spending, and even for spending levels in-between. For the average non-elderly person with private health insurance (as compared to all health care spenders), prescription drugs account for 35% of total out-of-pocket spending.

Overall, according to the analysis, about 20% of health care costs are paid out-of-pocket by individuals. However, the average person who has health care expenses pays about 35% out of pocket. The difference between the two figures, the analysis explains, stems from the fact that health care spending is not evenly distributed across the population. A small percentage of people account for most health care spending, and for these high spenders the out-of-pocket share represents a lower-than-average portion of overall health care spending (probably because they are more likely to have reached the out-of-pocket maximums under their plans, while those with few expenses

still are making payments toward the deductible). The following figures illustrate this point:

### Health Care Spending of Non-elderly Persons with Private Insurance

Percentile of Health Care Spending	Average OOP Payments	Average Share Paid OOP
Top 1%	\$ 2,467	6%
2%-5%	\$ 2,017	15%
5%-10%	\$ 1,574	22%
10%-20%	\$ 1,208	29%
Lowest 80%	\$ 261	37%

As noted above, prescription drugs account for the largest portion of the average individual's total out-of-pocket spending for health care. Total out-of-pocket spending breaks down as follows:

### Distribution of Overall OOP Health Care Spending

Type of Expense	Average Person with HC Expenses	Non-elderly with Private Insurance
Rx	43%	35%
Office-Based	26%	31%
Dental	17%	20%
Vision	7%	8%
ER	2%	2%
Outpatient	2%	2%
Hospital	1%	1%

The study also examined different types of health care expenses, and analyzed, for each expense, what share was paid out-of-pocket:

### Average % Paid OOP For Various Health Care Expenses

Type of Expense	Average Person with HC Expenses	Non-elderly with Private Insurance
Vision	74%	76%
Rx	54%	51%
Dental	41%	37%
Office-Based	26%	28%
Home Care	17%	21%
ER	14%	14%
Outpatient	11%	13%
Hospital	5%	4%

Survey data such as this can be useful for employers when considering making changes to the out-of-pocket payments required under the health plan, such as co-payments, co-insurance and deductibles.



Pictured is the team in our Life and Health Department. Left to right are: Donna Nichols, Bob Salles, Paula Diaz, Kim Solis, Nancy Davis, Becky Holiday, Dave Cribb, Beverly Cesario

They are all committed to providing the highest level of service to you be it for either your business or individual needs.



## *continued from page 1...Do You Have a Disaster Recovery Plan?*

tion procedure and contact list together in a safe location, with a duplicate set in another location in case one file is destroyed.

### ***When disaster strikes***

Should you fall victim to a disaster, call your insurance agent immediately to report the loss. Provide your policy number and a description of the damages. Your agent can explain your coverage and provide guidance on how to proceed with your claim.

Remember that you are responsible for the safety of employees, customers and anyone else who enters your business whether or not you own or lease the property. If you own the building in which your business is located and it has been severely damaged, you may need to have it inspected to ensure it is safe for occupancy. If you lease the property, work with the owner to get the building inspected.

Photo or videotape damage to property, equipment, inventory, etc. to document the loss. Also, make temporary repairs necessary to prevent further damage - covering holes in a roof or boarding up broken windows, for example. Cleanup should begin once you get authorization from local authorities and your adjuster.

Provide your adjuster with the financial information needed to determine your net business income loss and continuing operating expenses - historical sales records, income and expense information (which you should have in your disaster recovery file). If you have extra expense coverage, document the extra expenses you incur in the process of resuming operations. These would include, for example, temporarily leasing another location, renting equipment until yours is repaired or replaced, and moving expenses.

An extended period of indemnity clause can protect you from losses for a period of time after your business reopens. As often happens in a disaster, returning to previous income levels can take longer than expected even if a business is able to reopen relatively soon.

### ***Start today***

Don't wait until disaster strikes. Find out what your business income insurance needs are now and put a plan in place to protect your assets.