

The Professional Insurance Informer

Serving the Insurance Needs of Southern New Jersey for 100 Years



President's Message

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President

Professionalism and the "Soft" Market

Right now we are experiencing a very competitive marketplace for commercial insurance. At times like this, an insurance agent will switch underwriters to be able to lower the premium of the existing policy. This sounds great because everyone likes to save money, but what are you giving up in the bargain?

Often these "better deals" provide less coverage than the previous policy. Maybe the agent quoting the policy did not complete a comparative study to determine if the new policy is equal to or better than the current one. This becomes a serious issue in a time of need, when the cheaper policy ends up costing you serious money in the event of a loss.

How do you protect yourself from being fooled? The next time you are approached by another agent, ask the following questions:

- What is the insurer's knowledge and experience in underwriting an account such as mine?
- What is the company's financial stability and rating?
- Can you provide references from other accounts similar to mine?

Unfortunately, most insureds do not compare policies or worry about their coverage until the big day — the day they have a claim and discover that they have no coverage, or limited coverage, for their loss.

At Allied Insurance, we consider many factors besides price when we make your renewal recommendation. We believe that it is only by evaluating your specific needs and comparing those needs to the realities of the market that we can adequately represent your business. Ask yourself, can every other agent make that statement?

The Truth About Certificates of Insurance

At some point, almost every business needs a Certificate of Insurance (COI) issued on its behalf. A COI is written evidence that an insurance policy has been issued, indicating both the amounts and the types of insurance. It is frequently used when government entities, general contractors or property owners require contractors to provide evidence of insurance. COIs are used in almost every industry.

While COIs are useful in communicating the level of coverage available to an insured, there are inherent problems with the process.

Fraud between agents and insureds

Fraud is a major problem in the insurance industry. In this case, the agent indicates coverages that do not exist so the insured, such as a subcontractor, can obtain a construction job or get paid for completing one. Since most insurance companies today do not require copies of COIs, it is easy for the agent to write an inaccurate COI to satisfy the certificate holder. In any case, a fraudulent COI is not a binding document, and the "insured" will not be covered for anything beyond their actual contracted coverage, exposing both parties to enormous liabilities.

Coverage not available

Most large companies and government entities want to pass on as much liability as possible. Often the level of coverage they request is not available, under any circumstances, through the insurance company. The insurance agent gets caught in the middle, trying to serve the client who just signed a large contract with a government agency and the insurance company who says "we do not provide those specific coverages."

As a Trusted Choice agent, AIS offers coverages from numerous reputable insurance companies. Having many choices increases the chance that we can find the coverage you need.



Non-notification of coverage cancellation to certificate holders

A certificate holder is entitled to notification upon cancellation of the insured's policy. However, only the insurance company is authorized to provide this notice. Since the insurance company is usually not notified when the COI was issued, the certificate holder is rarely notified. As in the case of blatant fraud, the COI is not a binding document if there is not any valid policy supported by the insurance company. This creates liability issues for the "insured" and the certificate holder.

At AIS, we take COI issues seriously. We pledge to our customers:

- Every COI we write accurately reflects the available coverage, to the best of our knowledge, when we provide the document to our insured.
- We will serve as your resource for information about the drawbacks of the contractual agreements you sign and your available insurance coverages. This invaluable service can help protect you from the unexpected legal consequences of contractual obligations.

If you need a COI or have any questions about an existing COI, please call your AIS representative at 856-691-0112.

Knowledge is the best policy!

What You Should Know About Audits

If you are being subjected to a workers' compensation audit, do not panic!

Instead of automatically sending the auditor to your accountant, you can do it yourself because you know your business better than anyone. Here are tips that address most of the problems you will face in a workers' compensation audit. If you are aware of the potential issues, you may even save money on your premiums year after year.

Know what the auditor wants to see...

Obviously, payroll, but beyond that, an auditor may ask for a general ledger to identify payments to others that could be construed as payroll. For instance, did you complete any repairs and make payment to an individual? If that is the case, you should have a certificate of insurance on file so you may exhibit that the repair person was indeed a business and has workers' compensation insurance under a separate policy.

Misclassification of payroll

Check the rates for each type of job your employees perform and be prepared to reclassify any payroll you can to the lowest rated job. No, do not lie, but you can take advantage of the gray areas. For instance, a clerical employee rate is about \$.40 per hundred of payroll. The rate for a labor worker can be several times that so

you do not want a bookkeeper salary mixed in the wrong area. Misclassified payroll can cost your company, or save your company, thousands of dollars.

Note: *If your premium is based on payroll, it is possible that you may omit truck driver wages. Discuss this with the auditor or call your AIS representative to learn more.*

Separate your overtime payroll

Be able to tell the auditor the difference between regular payroll and overtime. You are not charged for the extra money you pay in overtime, only the straight pay.

Do not report sales tax as income

Some premiums are based on annual sales or receipts. Be sure sales tax is not included in the gross sales figure. Also, remember that inter-company sales involving subsidiaries and parent companies are excluded.

Check the math

If the audit is performed in person, request a copy of the auditor's worksheet and any further calculations. Check these figures against your records to ensure you are not mistakenly overcharged.

If you have any questions regarding auditing procedures, please call your Allied Insurance representative at 856-691-0112.



*Please let us know what you think of our newsletter.
Tell us about specific insurance topics you would like to see.
Ask for Melissa Comparri.*

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AIS Agents: Eager to Educate, Earn and Keep Your Business

In our haste to keep up with the dizzying speed of business, it is easy to choose the fastest or easiest option. In the long run, you may sacrifice the RIGHT agent for the agent that is here RIGHT NOW. When choosing an insurance agent, you should demand the following attributes:

An agent should EARN your business

An agent worthy of your business will want to earn your business. Simply taking copies of current coverage without evaluating and providing feedback should be unacceptable. Your agent's ability to address your needs and offer applicable coverage should be the expectation, not the exception.

An agent should EDUCATE you

In the insurance industry, markets and coverage options are in a state of constant flux. Changes can have serious implications on coverage, which in the event of a loss, could affect your business and your way of life. Reviewing current coverage and other options should take place throughout the life of the relationship, building rapport and trust.

An agent should be EAGER to serve you

How well does your agent know your business? The right agent will understand your operation and know the details of your current and past coverages. Do not accept the disappearing agent act: you have the right to receive personal service from a trusted partner.

Allied Insurance Services... Making the time. Doing it once. Doing it right.