

The 5 P's Of Insurance Sanity

Insurance rates in the lawn and landscape industry have climbed 30 to 50 percent in the past three years. Driving these higher

rates are two factors. First, a down stock market decreased insurance industry earnings on investments. Second, underwriting losses that had been trending upward prior to 9-11 were accelerated by that tragedy and the remaining security threat has caused insurance carriers to take a conservative and realistic approach in setting rates since.

The good news is that rates are beginning to level off. The bad news is that they are leveling off at a higher historic level. For lawn and landscape companies the challenge is to get the protection you need while getting the maximum value for your investment. While few company owners are experts at insurance, the following five steps can help you take greater control of your insurance investment:

BASF
PROFESSIONAL
TURF



Customer Driven Solution Series

Sponsored by BASF Professional Turf

1. POLICIES — BUY ONLY WHAT YOU NEED

Strategies to reduce your insurance begin by limiting the policies to those that are most necessary. At a minimum in most states, that would require Workers' Compensation, auto and liability insurance. Companies doing commercial work often need excess or umbrella liability insurance above and beyond their state's minimum. Health insurance, insurance against theft of equipment and environmental insurance may also be necessary depending upon your company's needs.

Deciding what insurance coverage you need means thinking about what risks you are willing to bear. An attitude that insurance is to protect your company from any loss or errors can be costly. A more value-driven attitude is to consider insurance as protection against financial disaster. Buying an insurance policy can be thought of as effectively "renting" the insurer's assets in the event of a claim. The more coverage you rent, the higher your payments.

Another strategy to reduce insurance costs is through going to higher deductibles, the trade-off being lower premiums against higher direct costs if there are any claims.

Regardless of what actions you take, discuss the options with your insurance carrier.

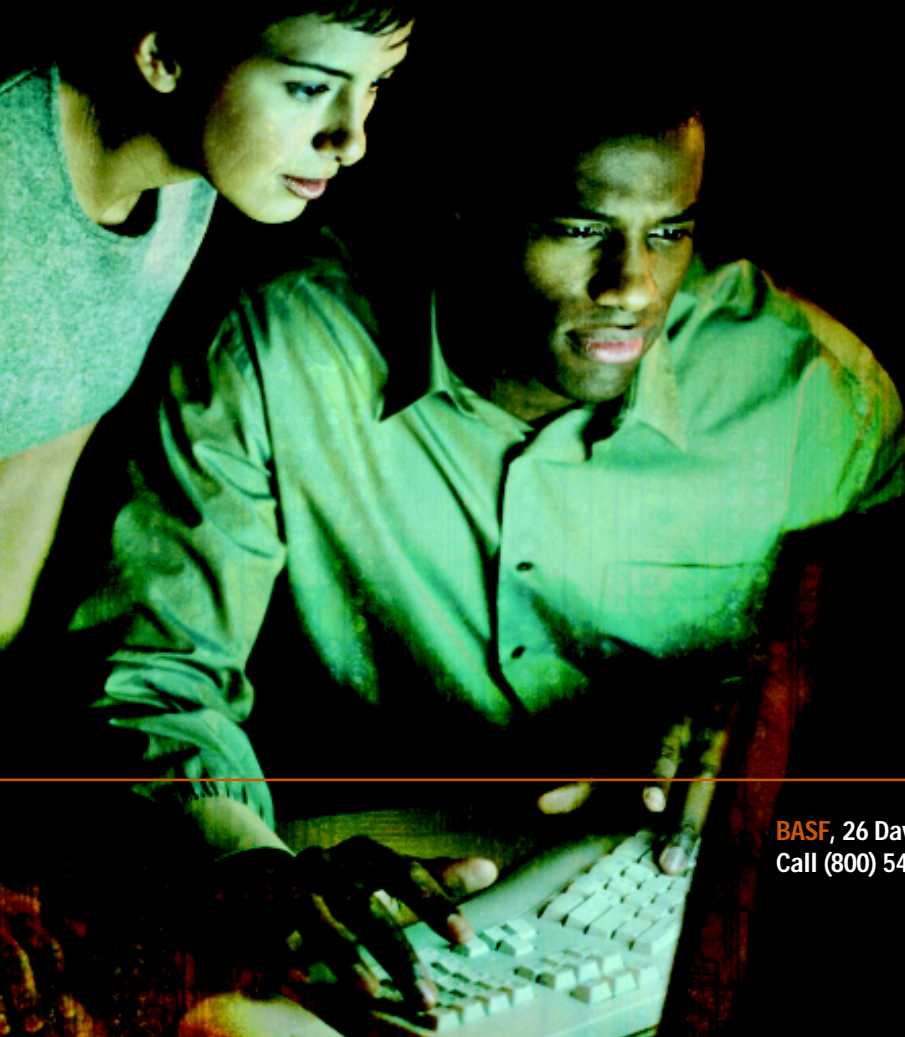
2. PEOPLE — YOUR BIGGEST RISK

People are the most important asset for most companies, but they are also the biggest single factor involving claims and losses. Insurance rates are based on risk and the insured company's claims record. For those reasons, employee selection can directly impact on your rates. Increasingly, companies are investing in drug and alcohol, and motor vehicle screening as a normal part of the employee selection process.

In a number of states companies certified as a drug free workplace can save significant money in Workers' Compensation insurance. In the south-east, for example, Florida, Alabama, Tennessee and South Carolina will reduce Workers' Compensation payments by 5 percent for companies certified as drug free. Georgia and Colorado offer even greater discounts. Becoming certified as drug free involves a written program, testing and management training, but the savings make the effort worthwhile.

Another way to reduce Workers' Compensation costs is to match each employee's job description to a corresponding Workers' Compensation classification in your state. For example, maintenance work, landscape installation, irrigation work and tree work typically all have different Workers'

The following 5 steps can help control of your insurance invest



BASF, 26 Davis Drive, Research Triangle Park, NC 27709.
Call (800) 545-9525 or visit www.turffacts.com.

Compensation classifications based on the risks for each job. So, it can be costly if the Workers' Compensation rates you pay for all of your employees have been based on the highest risk classification for the work your company does. You do not want to pay Workers' Compensation rates for office and sales employees based on the landscape construction work rate classification. By matching job descriptions for each employee to a corresponding Workers' Compensation classification, you can save significant money. The only caution in doing this is that each employee must be rated at the highest premium category for the work they do. For example, if an employee does landscape work 95 percent of the time, but sometimes works on a tree maintenance crew, then his Workers' Compensation rate must be based on the tree work (the highest rate classification category that the employee works in). The Industry Scopes Manual lists Workers' Compensation classifications with a brief description of the work for each.

A further benefit of matching each employee's job to a corresponding Workers' Compensation classification tends to make you more attractive as a company to insurance carriers.

you take greater investment:

3. PERFORMANCE — KNOW YOUR RISKS

Major exposure risks in the Green Industry include vehicle accidents involving liability, Workers' Compensation and theft of equipment from vehicles. Traffic accidents can involve employee negligence or simply being hit by someone else. Slips, trips and falls are a hazard from climbing onto trucks or working on wet grass. Muscle strains are an issue with lifting and operating equipment. Safety violations, whether stemming from refusal to wear safety equipment or to follow company safety procedures, often causes losses. And for companies doing lawn care work, misapplication of materials is not a frequent loss, but it can be a serious loss from a per incident cost perspective.

While industry-wide risks are a useful guide for understanding your potential risks, tracking your company's performance is most useful. Track accidents, near-accidents and types of injuries to determine problem areas. Consider the risks involved in the type of work you do. Consider risk from having a facility in a high crime area. What risks are involved from having

personnel who do multiple tasks vs. specialized tasks. Does your company have a lot of turnover? Do you have experienced managers?

Violations by DOT, EPA or OSHA are also red flags. Insurance carriers view compliance with regulations as the bare minimum of good performance and any violations put you in a higher risk category. Insurance carriers have different rates for companies based on performance. Your performance impacts your rate and can make you a more attractive company to the insurer.

4. PREVENTION — THE BEST SOLUTION

Loss control is a broad term used to describe actions taken to protect you and your company against accidents, claims and payouts due to negligence or accidents. The principle is that once you have identified risks you want to reduce, action can be taken to reduce the incidents that lead to real losses. Loss control includes training, use of proper equipment, maintaining equipment, company policies, security systems and any other means to reduce mishaps and accidents.

One principle of loss control is that the more specific the program to the risk the better. Some companies require training specific to each responsibility. If a laborer is going to be asked to operate a skid steer loader, for example, that individual could be required to first watch a video and then complete actual training on the equipment.

Because employee negligence and judgment errors can be a component of liability, documented training is important. After an employee completes training on safety, proper procedures and company policy, have them sign and date that they have completed the training. Better still, have each employee take a written test to show they understood the material, and to verify that they have passed a demonstration test or do a combination of both.

Another loss control practice is unannounced field inspections, either by you or an independent individual hired to do this. Training employees is important, but so is making sure they are doing what they have been trained to do.

5. PARTICIPATION — KNOW AND BE KNOWN

Most lawn care companies under-communicate with their insurance carrier and the result is that they under-utilize the resources available. All insurance companies offer claims help, but many also offer safety and loss control programs and advice. Talk to your insurance representative at least once every three to six months. Make sure he or she knows you and your business, and ask them what services they can offer to help you get the coverage you need, reduce your costs and reduce your risk and loss.

Sources/More Information:

George Jehlen is a loss control consultant with W.S. Pharr & Co., is an Atlanta, GA-based insurance firm with Mike Breedlove, Joe Mendenhall and Van Hoots specializing in the green industry, and George Jehlen providing loss control and safety services. They can be reached at 800-817-2244 or www.wspharr.com.

Michael Weisburger is president of B. & D. A. Weisburger Insurance, a White Plains, NY, Insurance Managing General Agent specializing in lawn care and pest control, and offering an Internet-based loss control program, Safety Strategies. He can be reached at (800) 431-2794 or at maweis@weisburger.com.

360 YARDS to BACKYARDS

Drive is a registered trademark of BASF AG. © 2004 BASF Corporation. All rights reserved.

DRIVE
75 DF HERBICIDE

The shortest distance between broadleaf and grassy weed control.

Drive® 75 DF herbicide effectively raises the bar for postemergent weed control. A single, convenient application of Drive quickly eliminates a broad spectrum of both broadleaf and grassy weeds—from crabgrass and foxtail to clover and dandelion—in a wide variety of turf species. Then Drive keeps weeds under control for 30 to 45 days—in some cases for more than 3 months. Drive also offers exceptional seeding and overseeding flexibility—allowing you to seed many varieties of turf immediately before or after application. To learn more about how Drive® 75 DF can help you in your drive for turf perfection, call 1-800-545-9525 or visit www.turffacts.com. Always read and follow label directions.

BASF
PROFESSIONAL
TURF



BASF