



Welcome to the Hamilton Brewart Insurance Agency Newsletter!

We are pleased to share with you our most recent Insurance Briefs. We hope the articles in this and future editions will provide insight into an array of financial matters, and we urge you to contact us with questions and comments. Our agency works in the areas of insurance, and benefit planning for individuals and corporations. Our goal is to provide excellent service, competitive pricing, and products tailored to meet the special needs of each client.



Minimize the Likelihood of a Homeowner's Insurance Non-Renewal or Rate Increase

Almost three million households have lost their homeowner's insurance since 2003 according to a 2007 national telephone survey conducted on behalf of Trusted Choice and The Independent Insurance Agents & Brokers of America. Two-thirds of the households that lost coverage were located in the South. Only half of the non-renewed households said they were able to find other coverage.

As part of the current study, respondents were asked about changes they've made since 2003 to secure their home in the event of a natural disaster. Overall, a mere 28 percent of households indicated they have taken steps to secure their homes. Even in the South, where the threat of hurricanes is an annual occurrence, only 31 percent indicated that they had secured their homes.

The survey results also showed that about 35 percent of all American households had experienced a homeowner's insurance rate increase in the previous 48 months. Twenty-two percent of the respondents answered that they had received anywhere from an 11 to 25 percent rate hike, while 13 percent said that they had received more than a 25 percent increase.

Trusted Choice offers the following tips to lessen the possibility of non-renewal or rate increases:

- Monitor your claim activity - Insurance companies track how many and what type of claims you file. Frequent claim activity, no matter how small, can impact your rates and chance for renewal.
- Stick with one insurance company - An insurance company is more inclined to look past an item on your claims record if you are a long-term customer. Changing insurance companies on a regular basis makes it difficult to build a relationship with an insurer.

- Bundle your coverages - Keeping your homeowner's and auto policies with one insurer makes you a more attractive customer. An insurance company may think twice about dropping your homeowner's coverage if it may mean losing your auto insurance business, too.
- Review your deductibles - Make sure that your deductible isn't so small that you will be submitting every potential claim for payment, nor so large that it will cause financial hardship in the event of a loss.
- Home improvements help - Your home's wiring, plumbing, heating and roofing should be in good repair at all times. At least twice a year, walk through your home and inspect it for developing problems.
- Know a house's claim history before you buy it - Ask for a disclosure report, which can be obtained from your real estate agent or the seller's agent. Insurance companies will be wary of a home with previous structural or water-damage claims.
- Consult your insurance agent - Working closely with an agent may be the easiest way to stay insured affordably. And they will be your advocate when you have a claim or other problem.



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Keys to Surviving an Insurance Inspection

You could not be busier - your partner is on vacation, an expected shipment is running 24 hours late, an important client wants your product yesterday and the phone rings. Your insurance company is calling and wants to schedule an onsite inspection. Just what you need, right?

With a little advance planning, this call should hardly make a ripple in your day. In fact, with the right preparation, this inspection can be a real help for your business. You will not only pass this inspection, but you can use it as a means to advance your relationship with your insurer, improve the safety of your premises and manage potential risks.

As your broker, we can help you identify potential areas of concern, so they can be rectified prior to the visit. Even just a quick walk through the facility can turn up items such as excess debris, high stacking or dim lighting that can be easily remedied before the inspector arrives.

It is important that each person involved in the inspection process understands what is at stake. By alerting your personnel, your staff can be sure that the broken light bulb is finally replaced in the stairwell and the hallways have been cleared of overstocked items. A floor supervisor understanding the importance of answering a quick question can save both time and money by addressing the concern on the spot, instead of waiting for a formal recommendation.

When the inspector arrives, it is a good idea to accompany him on his tour of your facility, if possible. Taking the time to develop a solid, working relationship with your insurer can serve you well in the years to come. If you cannot take the time, perhaps a senior member of your staff can.

You should know that we can also be present to help with this process. As a carrier partner, we have an existing rapport with the insurer and can serve as a mediator during the assessment. Often, an item can be explained or resolved before being written into the report and developed into a formal recommendation, which can affect your insurance placement.

Most inspections result in at least some recommendations. If recommendations have been made, be sure to react to them promptly, even if only to say you will respond in 30 days. If an issue is minor and can easily be rectified, don't waste any time. If more involved or costly, we can help you determine your best options. The insurer may have some flexibility, depending on the urgency of the point. For example, the insurer may be willing to provide more time to complete an item, or may be willing to accept lower stacking heights in lieu of costly in-rack sprinklers.

Opportunities Exist for Creative HSA Funding Strategies

Employers are not required to contribute to the health savings accounts (HSAs) in which their employees may enroll, but the majority of employers do. According to a report from the Government Accountability Office (GAO), about two-thirds of employers offering HSA-eligible plans contributed to employees' HSAs. The average employer HSA contribution reported to the Internal Revenue Service in 2004 was about \$1,064, according to the GAO report.

Employer contributions to employees' HSAs make a lot of sense. First and foremost, employer contributions can make employees more likely to consider enrolling in an HSA, if HSAs, in tandem with a high-deductible health plan (HDHP), are among other health plan offerings from which employees select. A primary advantage to employers of the HDHP/HSA offering is cost: The GAO report cites data showing that, in 2005, premiums for HSA-eligible health plans averaged 35% less for single coverage and 29% less for family coverage, than premiums for employers' traditional plans. Thus, a shift in health plan enrollment to an HDHP/HSA option can have significant, positive financial consequences.

Employer HSA contributions can mitigate concerns employees might have about the high deductible required

by the HDHP. An employer contribution also helps to validate the HDHP/HSA option, showing that the employer believes in it enough to make a financial investment and isn't simply introducing it as a way to shift costs to employees.

Recent developments in the legal and regulatory environment governing HSAs allow for more flexible employer contribution methods and strategies, and as such should make HSA funding more attractive to employers. Among the most significant of these developments eliminates application of the "comparable contribution" requirement for HSAs if the employer makes its contributions through a cafeteria plan. According to regulations on this point, if employees have the opportunity to fund their HSA contributions on a pretax basis—and usually they do—the arrangement is considered a cafeteria plan. Though the nondiscrimination rules for cafeteria plans under Section 125 of the Internal Revenue Code still apply, more creative contribution strategies are possible than would be under the "comparable contribution" requirement.

Employers contributing to the employees' HSAs can choose to make contributions throughout the year timed

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Companies Have Resources to Address Problem of Heavy Equipment Theft



The problem of equipment theft has increased steadily in recent years. However, an expanding array of services is available to help companies better manage and contain the risks associated with equipment theft.

Losses from equipment theft are growing, with an annual increase of up to 20 percent in the value of equipment stolen since 1996, according to ISO, a provider of data analysis and services related to property and liability risk. ISO reports that theft accounts for more than 50

percent of all heavy equipment-related losses, making it the most common cause of equipment loss. If you add indirect costs—such as rentals, downtime, wasted management time and project overrun penalties—the total loss figure from theft approximates \$1 billion annually. Only about 10–15 percent of all stolen equipment is ever recovered.

One reason for the rise in equipment theft is that thieves find it lucrative, without posing too much risk. Heavy equipment is seldom protected with machine security devices, and construction sites are not secure.

Stolen equipment is also easy to sell, in part because of the lack of due diligence in the used-equipment market. Up until recently, no means existed to research the his-

tory of a piece of equipment sold in the used-equipment market. If stolen equipment can be sold with little risk to the thief, that means that it can be sold at, or close to, original market value.

Since 2001, National Equipment Register (NER) has worked with businesses to improve their equipment recovery rates by providing construction and farm equipment theft and ownership information to law enforcement. NER serves as a single point of contact for police to identify stolen equipment 24 hours a day.

Recently, NER has expanded its services to include the recording and monitoring of losses from equipment damage. NER will use its technology to identify fraudulent insurance claims for damaged equipment, as well as fraudulent theft reports.

NER has also expanded its services in two other areas:

- The recording of stolen construction product identification number (PIN) plates containing the machinery's serial number. This allows NER to identify a stolen machine that has been given a new identity with a stolen PIN plate.
- The launching of a service enabling buyers to conduct due diligence through NER before purchasing used equipment.

Resources such as these can help businesses to deter prospective thieves, increase their chances of recovering stolen property, and overall better manage their risk of loss from heavy equipment theft.



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with employees' pay periods (or monthly, quarterly, etc.). To spark employee's interest in HSA enrollment, the employer could make its contributions up-front, to "seed" the account. To encourage employee participation, the employer could make its contributions on a matching basis. Or, an employer can utilize some combination of these contribution methods.

As noted above, more creative contribution strategies are possible when the comparable contribution requirement does not apply. Since much of the emphasis in consumer-directed health care is on prevention and wellness, an employer could make HSA contributions to participants who have taken part in specified wellness initiatives, such as health risk assessments and nutrition/fitness programs. An employer could target groups that are likely to have higher health care costs

(such as from chronic conditions like asthma or diabetes) and offer HSA contributions for taking part in a disease management program. An employer could link its contributions to a profit-sharing strategy—like some employers do in their 401(k) plans—as one means of communicating the message that high health care costs impact a company's bottom line, and that both the business and employees can benefit when unnecessary health care spending is reined in.

Whether an employer decides to be straightforward or creative with its HSA funding approach, its contributions have the advantage of not being subject to Social Security and unemployment taxes, and income taxes on contributions and earnings. So, regardless of whether they are used as part of a related strategy, HSA contributions are a very effective use of an employer's dollar.

Make Sure Your Use of MVRs Complies with the Law

Many employers use motor vehicle records (MVRs) as a basis to select drivers who are least likely to be involved in an accident. However, employers who use these records should be aware that MVRs are considered consumer reports and as such, their use is subject to The Fair Credit Reporting Act (FCRA). This law, which applies to all consumer reports, has strict guidelines concerning the manner in which information contained in the report can be used.

Under the FCRA, an employer has the right to require that a current or prospective employee provide an MVR. However, the employee has assurances safeguarding your access and use of this information.

The employee must first give you written permission to obtain the MVR. You can also request the employee to obtain a copy from the state Department of Motor Vehicles. If after examining the report, you decide not to assign the employee as a driver, which is referred to in FCRA as an "adverse action," you are required to complete two steps. First, you must give the employee a pre-adverse action disclosure that includes a copy of their MVR and a copy of A Summary of Your Rights Under the Fair Credit Reporting Act (www.ftc.gov/os/statutes/2summary.shtm).

The next step is to provide the employee the following information either orally, electronically, or in writing:

- The name, address and phone number of the agency that supplied you with the MVR.
- A statement that the agency supplying the report did not make the decision to deny the employee the assignment and cannot give specific reasons for the decision.
- A notice of the employee's right to dispute the accuracy or completeness of any information the agency furnished, and their right to an additional free consumer report from the agency upon request within 60 days.

FCRA also allows insurers to use MVRs for underwriting purposes. However, they are required to protect the privacy of the employee whose MVR they obtain. Sharing MVR information with an employer without the permission of the employee could create liability for the insurer. Therefore, a company should establish its own procedure for acquiring and checking MVRs when hiring employees that drive on company business, and not rely on their carriers to provide those documents.



Finally, companies should also include periodic checks of employees' MVRs as part of an ongoing automobile safety program. This program should be formalized and documented in the employee handbook so that employees are aware of the requirements to be selected and remain a designated company driver.



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