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 with over a \$700 value
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How 5 Minutes Could Save Your Business From Financial Ruin!

Business Income Coverage provides much needed protection to get your business back up and running following a disaster.

The call comes in at 2:00 in the morning. It's the local police department telling you that your building is totally engulfed in fire. You arrive on the scene and you realize real fast that you will be out of business for quite some time as your building is damaged beyond repair. You know that your property insurance limits are adequate. You'll be able to get your building rebuilt, but what will happen to the business in the meantime?

Your thoughts quickly begin to swirl. How long will I be out of business? How will I replace those lost sales? How will I keep those employees that I value so much from going to other businesses? How will I keep up with my expenses? After my business is back up and running, will my sales be right back to where they were? How will I pay for that extra advertising that may be needed to inform my customers that I'm at a temporary location or back in business? Ugh!! When properly designed, business income coverage can put to rest all of those fears.

What is Business Income Coverage?

Business Income or Business Interruption Coverage as it is commonly referred to is designed to protect your financial statement from disaster; and in fact, can provide you protection from all those fears listed above. By definition it provides coverage for your lost net income and continuing expenses; plus extra expenses. Business Income Coverage has to be purchased on a "package" policy; but is automatically included on a business owner's policy (look for our review of this later).

How much do I need?

Business Income coverage is one of the most important types of coverage you can purchase, but it is the most complex as well. Because of the complexity, it is often over looked. One reason for this is that it takes considerable thought and work to select the appropriate limit of insurance for your business. However, five simple questions can help determine the appropriate limit of insurance for your needs:

1. *How long will it take to rebuild?* Think about the time for the property claim to be adjusted, time to draft plans for the new building, time for the bidding & permitting phase, think about our winters and what effect that could have, and what about the catastrophe factor (what if a tornado hits...every contractor will be swamped)? We feel that it will take 12 months minimum to rebuild a building totally destroyed by fire. *Cont'd. on next page*

2. *What is the anticipated loss of business income?* We need to protect you not from the average months, but the best months.
3. *How much extra expense will be needed?* This is money to fund your catastrophe plan. This is difficult at times to determine so sometimes we have to “fudge” this factor.
4. *Would you continue to suffer a loss after your business is resumed?* Your current policy may provide LIMITED coverage for loss after the business is resumed. We need to know how long it will be before the business is up and running back to pre-loss levels.
5. *What is the projected net income and operating expenses for the next 12 months?*

Once this information is gathered, we have some simple formulas that can be used to determine the appropriate limit of insurance for your business.

Valuable Enhancements are often overlooked!

There are also many coverage enhancements available to protect against certain types of losses such as:

- **Business Income from Dependent Properties—Broad or Limited.** Extends business income coverage to cover losses from damage to a premises of a scheduled business, with a contributing relationship to you.
- **Business Income—Utility services.** This coverage extends your business income and extra expense insurance to protect against losses due to the interruption of services rendered to you by a specified utility that provides your business with water, power or communications.
- **Business Income—Ordinance or Law—Increased Period of Restoration.** Modifies the definition of period of restoration to include time to comply with minimum standards of any ordinance or law, in force at the time that regulates the construction or repair, or requires the tearing down of any property.

The Pitfalls of Business Income Protection Provided on the Famous “BOP” Policy Uncovered...

The business owner’s policy is commonly referred to as the BOP. The BOP is a policy that has a variety of coverage’s like property, liability, crime, computer, sign, etc., all thrown into one policy, for one low price. The BOP automatically provides business income protection for up to one year on an actual loss sustained basis!

On the surface, this sounds great. Hey, no work here! We don’t have to worry about limits, you don’t have to share your financial statements and there isn’t a limit of insurance on the policy. **We are only limited by time! But time can be a killer and here’s why!**

Do you remember our fire above? Imagine a building in downtown Baraboo having a total loss fire like the one that occurred in Prairie du Sac a few months ago. What are the odds that you will have your building rebuilt in less than 12 months? Remember, you’re going to have to have your loss settled and investigated, a new building designed, get the appropriate permits, remove the debris, and begin complete construction. My guess is this timeline is likely to be 10-14 months minimum for most buildings. In this scenario, your policy wouldn’t provide you enough coverage if the reconstruction took more than 12 months. Now that your business is back in operation, are your sales going to be at pre-loss levels? The BOP only provides for 30 days of what is referred to as **extended period of indemnity**. This coverage is used to extend the time of recovery allowed for under your business income coverage, after you resume operations for the scheduled period of time stated in the provision. It covers the continuing reduction of income when you require additional time to return to normal pre-loss business levels.

A problem with the BOP is that this coverage can’t be extended past 30 days! While the BOP provides some very valuable coverage at a very low cost, it is important to understand the disadvantages of the BOP as well.

Who Needs Business Interruption Coverage?

All businesses need some form of Business Interruption Coverage. However, some have more exposure than others. The key answer to this question is asking yourself a simple question: How much sales would I lose if my property were destroyed by fire or another disaster like a tornado? If you're a contractor, the answer is going to be much different than a retail store. That being said, let's look at a contractor. A contractor will typically have some type of office exposure. If the office is destroyed, where will you go? How will you hook up new phones, fax? Where will you get temporary phones? All of these questions have answers and dollar signs behind them. What's important is to make sure you purchase enough business income AND extra expense coverage to cover those additional expenses that will occur because you have to go find a temporary office!

If you would like a FREE review of your business interruption coverage and exposures, please contact our office and ask for Wendy. We will then schedule an appointment to review this important coverage.

Wisconsin Health Benefits Costs Rising

The total cost of providing health benefits in Wisconsin rose 9.2 percent this year, to an average of \$9,321 for each employee – 31 percent more than the national average; according to an annual survey by Mercer Health & Benefits LLC. Nationally, health benefits cost \$7,089 for each employee this year, the survey found. That works out to \$2,232 less per employee than the average in Wisconsin, the Milwaukee Journal Sentinel reported. This year's 9.2 percent increase in health benefit costs in Wisconsin outpaced the national average increase of 6.1 percent. By changing their health plans, including shifting costs to employees, Wisconsin employers expect benefit costs to increase 6.6 percent next year, about in line with the national projection of 6.7 percent.

Will You Be Audited?

The Kiplinger Letter said the IRS is putting more heat on small businesses. The likelihood of a small company getting audited rose sharply in fiscal 2005, but was still a fairly small 0.79 percent. That means the IRS audited about one of every 127 small companies. Plus about 78 percent of small-firm audits are the more extensive face-to-face kind. Individuals are getting more IRS attention too! About one of every 108 tax returns were audited in 2005, up from about one of every 128 in 2004, Kiplinger said.

Some Retirement Statistics

- Less than half of Americans have planned for retirement.
- After you retire, experts say you will need at least 70 percent of your pre-retirement income each year to sustain your current lifestyle. (Other experts say it will take even more, because retirees' longer life spans will give inflation more time to gnaw at their nest eggs.)
- In the late 1990's, the federal government reported that 80 percent of elderly Americans relied on Social Security as their main source of retirement income. In the 21st century, no reasonable retirement plan can depend on Social Security payments as a primary income source.
- Eighty percent of baby boomers (those born from 1946 to 1964) say they intend to work after retirement.
- Americans reaching age 65 can expect to live into their early 80's.

Life Expectancy

Demographic Characteristics	Your life expectancy if you're 65 now	Your life expectancy if you're 75 now
Average: all whites	17.9 more years	11.3 more years
Average: males, white	16.3	10.1
Average: females, white	19.2	12.1
Average: all blacks	16.2	10.5
Average: males, black	14.5	9.4
Average: females, black	17.4	11.2

REFERRALS

Referrals are the lifeblood of any business and there's no better source than you, our clients!

For every referral you give us, you'll get a \$10 gas card, plus be entered into our monthly drawing to win a \$25 American Express Gift Card. Once a quarter, we'll give away a \$50 American Express Gift Certificate. Finally, you'll be entered to win a **Dell E310 PC with a 17" Flat Panel Monitor with over a \$700 value**, to be given away in our Semi-Annual Grand Prize Giveaway on June 15th and December 15th.

Spread the word for your chance to win!

"Hard work spotlights the character of people; some turn up their sleeves, some turn up their noses and some don't turn up at all."

-Sam Ewing (1920-2001, American writer & humorist)

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Staff Directory

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Portage	Ext	
Dennis Rupers	14	PL Manager/Sales
Lynne Clark	10	Policy Customer Service

Baraboo	Ext	
Eric Lewison	18	Agency Manager
Dan Lewison	20	CL Account Executive
Rick Lewison	21	CL Account Executive
Wendy Gerken	10	CL Account Manager
Kelly Okapal	16	CL Customer Assistant
Patti Boehlke	15	Life/Health/Annuities
Nancy Howard	12	PL Manager/Sales
Pam Bredesen	19	PL Policy Changes/Billing
Matt Klemm	14	PL Sales/Claims
Kerry Alaimo	13	PL & CL Customer Assistant
Mary Randazzo	17	Bookkeeper

CL—Commercial Lines (Business Insurance)
PL—Personal Lines (Auto, Home, Etc)