

The Arborist's Insurance Market

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THE ARBORIST as a businessman is faced with the task of protecting his firm's assets and in providing longevity to his firm's profitability. Often forgotten is the many U. S. firms in any industry which go bankrupt as a direct result of some loss against which there was insurance coverage available. How many times have lawsuits, fires, embezzlement or some other loss forced companies into receivership or caused them poor results on their profit and loss statement? Often precautions could have been taken against this economic loss, but due to oversight or ignorance, the precautions were not taken.

Known vs Unknown

Insurance costs are a tax deductible expense for running a business. This expense, or insurance premium for a given period, is fixed and known. On the other hand, property losses or court settlements which are also tax deductions, are the losses over which a businessman or owner has no control as far

as frequency, severity or timing at which these losses may occur. One really trades a known cost, i. e., the insurance premium, for some unknown costs, i. e., uninsured losses. The prudent businessman should be attempting to stabilize his business earnings to ensure his firm's future profitability. Therefore, to risk a known cost for some unknown, possibly catastrophic cost, makes the latter seem like gambling. This is not the way to run a business.

Proper Coverage

One may ask himself — what exposure do I have? What kind of losses should I insure against and what should I pay? Of course, the obvious and often neglected risk of loss to any business is present whenever automobiles are involved. Catastrophic losses, which we all read about in the press, where court costs and settlements reach seven-digit figures, make one wonder if he shouldn't go back to the horse and buggy. This type of loss is not all that uncommon. It is my impression

most people do go through the motions of buying auto insurance, but unfortunately, the limits are not adequate. Anyone who is still carrying low bodily injury and property damage limits is taking a chance. The costs of umbrella for \$1,000,000 would be well worth the money, if only to let one sleep better at night. The umbrella policy offers coverage above the normal basic policy and pays the limit of the umbrella policy in excess of the normal basic policy. For example, if one has an auto policy with limits of \$100,000 per person and \$300,000 per accident for bodily injury and \$100,000 for property damage, then a \$1,000,000 umbrella will pay up to \$1,300,000 per accident for bodily injury or \$1,100,000 for property damage.

In the same area, another important and costly insurance coverage is General Liability. This offers protection against losses which may be brought against a business because of its actions other than those relating to automobiles. Often, just like auto, it is written for very low limits, which expose the business firm to tremendous losses. Also, as in the case of the auto mentioned above, an umbrella can be put over the

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basic contract. This umbrella contract is normally put over both auto and general liability.

Most arborists do have some equipment which should also be insured. Most insurance markets offer an all risk insurance contract for contractor's equipment. Although there are some exclusions on most any contract, this broad policy would cover a contractor's equipment against most losses. If this type of coverage on equipment seems expensive, the arborists may wish to look at high deductibles, which would decrease the premium and still cover the arborists against the catastrophic loss which may involve several pieces of equipment. This cost and deductible ratio will have to be closely examined and the arborist will have to decide how much of a loss he wishes to bear himself in order to save premium.

A mandatory insurance coverage if employees are involved, is workmen's compensation/employers liability. This is one of the most costly insurance coverages with which arborists are faced. Unfortunately, the experience of arborists has earned them the high rate which now prevails. The cost of back injuries, saw accidents and electrocution when working around power poles is still being paid for by the entire industry.

Reducing Costs

What is one to do about decreasing insurance costs and reducing his losses? The first step will be to make sure that the business is doing its best to eliminate such losses. No firm can hope to eradicate them, but their frequency and severity are definitely a function of safety awareness and this reflection will be passed along to the arborists in dollar savings and insurance pre-

mium. To eliminate losses, a safety program must be installed and carried out. If one doesn't know where to go to start such a program, he might check with his insurance agent or broker, who should be glad to help either through the insurance company or through the agent's own expertise.

Secondly, cost reduction is possible through your insurance costs, i.e., reduced premiums. There is a variation in price of insurance premium, just as no two arborists charge the same. Price will vary with service, experience and willingness of the insurance company to write the insurance agent's business. Needless to say, many insurance companies do not put arborists at the top of their list of priorities. Therefore, one should seek alternate insurance proposals. Remember to weigh the amount of service and expertise offered in the program along with the price. One might find in today's insurance market, the stability of his insurance carrier is as great a value as a 5-10% savings in insurance costs. Due to inflation, expensive money rates and adverse loss ratios, the insurance industry will be looking very closely at their portfolios. Many arborists will be requested by the insurance companies to find alternate insurance programs. This would be time-consuming and counterproductive for the arborist, unless the insurance agent is prepared and well-advised and can remarket the risk readily to another insurance company. Be sure that the company program selected is of good reputation and well-rated in the insurance industry. Ask for a rating from your agent, and ask for him to explain just what this rating means. He should be very happy to do so, and this will show him that you are looking for a quality program rather than a cut-rate insurance package.

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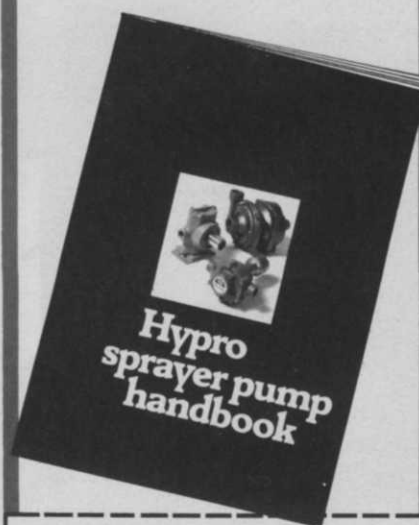
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