

# IT'S A JUNGLE OUT THERE

It's sometimes hard to understand insurance talk, since agents generally don't understand the green industry. But these tips from a well-known agent could make your next conversation more intelligible—and your next purchase more intelligent.

by James H. Leatzow

**T**alking to insurance brokers can be like coming to this planet from a different place and time. Their language is strange and unintelligible. Why is this so?

First, most insurance companies don't understand landscape contractors and aren't interested in learning about the green industry.

The insurance industry, for the most part, views a landscape contractor as something smaller than a small business, operating out of a garage, with a pick-up truck or two, and merely mowing lawns and planting bushes. They also think the pick-up truck is loaded with illegal aliens ready to tumble out the back gate at the first corner.

Obviously, this small and morally unstable group of contractors isn't worthy of the insurance industry's understanding because they don't develop sufficient premiums to justify any attention. It remains rather pathetic that this perverse and grossly inaccurate perception is the norm within the insurance industry, with only a few exceptions.

Well, folks, there's a glimmer of hope. Those handful of insurance companies that do have a more accurate understanding of landscape contracting will be the ones you want to build relationships with over time.

As with the recent stock market crash, the insurance industry will become difficult again. Then, you'll want to do business with those companies that understand you.

## Dubious professionalism

The second problem confronting you is the rather dubious level of professionalism exhibited by so many insurance agents and brokers.

Here too it is imperative for you to find someone that truly understands your business and represents those



companies that are going to get the job done in the best possible fashion for you. From my perspective, the best test of whether an agent can meet your needs is found in the ease in which they communicate or solve problems for you, all in language you can understand.

All of this nonsense does not have to be confusing. There is no reason that simple insurance questions cannot be reduced to simple answers. If the answers are not intelligible, keep talking to your peers within the industry and find a specialist with whom you can communicate.

Once all of this is completed, the responsibility will fall upon you, the business owner. And you would be wise to grasp a more complete understanding of your insurance needs so that you can be in better position to improve your image.

This is critical to differentiate your firm from the "average" or less-than-acceptable-risk companies. Being viewed as a better than average contractor will produce reduced premiums, if you are able to maintain an acceptable (near loss-free) track record.

## Workers' compensation

You have a great deal more control

over workman's compensation situations than you might guess. At a minimum, you should maintain workers' compensation coverage to cover job-related illness or injury to your employees.

Don't forget that a secretary running to the bank and being involved in an auto accident is job-related. Such claims are often more serious than routine cuts and scrapes.

Don't fall into the trap of considering all of your labor force as "independent contractors." That approach consistently does not hold water. You will be found responsible for their injuries if you provide them any benefits (tools, uniforms, rides to and from job sites, etc.) whether or not you maintain an actual insurance policy. If you do not now have an active safety program which, at a minimum, should include mandatory leather shoes, gloves, hearing protection on equipment, safety goggles, etc., you are not doing all you can do to reduce your potential for claims.

A good example of a way in which to reduce serious cuts from sharpening mower blades is to provide your employees with a pair of butcher gloves used in the meat cutting industry with palms of wire mesh to keep hands free of cuts.

Furthermore, annual classes on lifting techniques, done bi-lingually if necessary, will go great distances to reducing your workers' compensation claims.

## Commercial auto

Your commercial auto policy is rather self-explanatory. Once again, make sure all of your vehicles, including trailers, are covered. At a minimum, make certain your insurance agent is maintaining and providing copies of your vehicle schedules, not just on the insurance policy endorsements.

*continued on page 78*

This should all be updated at the beginning, mid-point and end of season to make certain nothing is missing. You ought to consider fairly sizeable deductibles on your commercial autos so as to reduce premium. You don't need a \$100 deductible on any vehicle in your fleet. You ought to consider \$250 or \$500 at a minimum.

You also ought to be obtaining a motor vehicle report (MVR) from your insurance agent, at your cost, on each of your drivers at least once a year at the beginning of the season.

If you have drivers with tickets, accidents or liquor-related violations, you are putting your business at risk. Statistically, such drivers are more likely to have accidents. It doesn't matter if they got the tickets away from work. Those habits can mean sincere trouble for you and your business.

Commercial auto remains one of your largest exposures to a major law suit as a result of your employees. You cannot be too careful.

**General liability**

General liability remains one of the most important policies.

There is a tremendous amount of

confusion about coverages you ought to be carrying. First, you should make sure your agent has included comprehensive general liability to cover all operations that you may be involved in as a landscape contractor. If you do not have comprehensive coverage, certain tasks that you now do occasionally (such as trimming branches) may not be insured.

The comprehensive portion provides coverage for anything that you do as long as it is within the scope of tasks typical to a landscape contractor. The comprehensive general endorsement is normally provided free. It therefore makes no sense not to carry it.

**Existing liability**

The next critical area covers your existing liability portion. You ought to open your policy to the liability portion and look for Code No. 07311. An X, C or U after the Code No. 07311 means that explosion, collapse and underground are excluded from coverage. There must be a charge showing the deletion of these exclusions in order for these coverages to apply. Unfortunately, many agents do not even understand this. You can forego explosion and collapse, but

every landscape contractor should carry underground liability coverage.

Fiber optics are being installed all across the United States. Unlike phone lines, fiber optics cannot be spliced. If you cut a fiber optic cable, the average cost to repair the damage from junction box to junction box, often a half-mile apart, will be about \$50,000.

If your present policy shows the "U" after the code number, you have no coverage for such a claim. If you hire a trenching firm to work for you and they do not carry underground liability, you will be responsible whether you carry the coverage or not. Once again: do not put a shovel in the ground unless you have underground liability and it is verified by your agent in writing.

Do not hesitate to accept a \$500 or \$1,000 deductible for underground if it will mean a rate reduction. Once underground claims begin coming in from the fiber optics mishaps, this important coverage will undoubtedly get more expensive than it now is. You should be calling "Julie" for every project to be staked prior to setting foot on the project.

If a claim does occur, make certain you photograph the actual damage  
*continued on page 80*



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and document the names of the utility company people that visit the accident site. If they mis-marked the site, it is possible to fight the claim. But only if you have documentation.

**Property**

Property coverage should include not only your office contents but your contracting equipment too. In any property coverages, only accept "All Risk" protection which is the broadest coverage you can obtain. Also, take "Replacement Cost" coverage for your property wherever possible. This will eliminate depreciation when the item is damaged or lost.

It may not always be possible to secure Replacement Cost coverage, especially on contractors' equipment. So be prepared—if you lose a major item—to suffer some economic loss when the adjuster depreciates the item. You ought to be updating the values on your equipment schedule as well as other property at least once a year.

**Liability umbrella**

The final coverage area is known as the liability "umbrella." This policy is a liability coverage that goes above and beyond your other liability

exposures.

Since the rates for this coverage have skyrocketed in the last few years, you might consider taking a minimum of \$1 million or even going without, if the cost is too high. Your contracts will demand that you carry higher limits at times, and you typically will be required to purchase one or increase your present policy, depending on the contracts.

Not everyone needs or ought to carry an umbrella policy. There is some degree of truth to the statement, "if you give me a \$3 million policy, I'll show you a \$3 million lawsuit every time." Carrying \$600,000 on your underlying policies will be more than sufficient for virtually all contractors.

To offer several suggestions:

● You will usually have your best chance of finding good insurance companies by participating in an industry association-oriented insurance program. Those companies will usually stand by you through difficult times when the market is less than pleasant.

Do not be afraid, however, to bid your insurance to other companies every third year or so. That bidding should include other agents since no agent can adequately represent the

entire marketplace.

Furthermore, such bidding forces your agent to remain competitive and on top of your account. Traditionally, competition should only make a good agent look better.

● Next, demand that your insurance company provide loss control services to help you reduce exposures and potential claims. Remind them, too, that they have a vested interest in your account being profitable.

● Thirdly, seek out an agent that understands your business and communicates. Have that agent change your expiration date from the spring to later in the year when your cash flow makes it easier to pay the already-high premiums. It makes no sense to have this large expense hitting you in the face as your season begins—when everyone is looking for money. Making such a change is just one example of service your agent should be providing.

Getting involved with your insurance program and knowing more what it includes and excludes will go a long way in improving your insurance coverage.

Remember, "the big print giveth and the small print taketh away." Get involved. And good luck. **LM**

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