

# SNOW START UP

ISSUE #1: FOCUS ON **INSURANCE**

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In the snow and ice management business, obtaining insurance can be expensive — especially for new companies without a track record to testify to their safety and adherence to best practices to mitigate risk. This issue of StartUp looks beyond the insurance products themselves to focus on processes you can put in place to help show insurance providers you are worth the risk.

## HOW RISKY IS YOUR BUSINESS?

➔ Do you know and understand the risks your business is open to during snow operations? Does your insurance company? Putting your company through a risk assessment is a powerful tool that can help.

Businesses typically undergo a risk assessment when they start the business or when they change insurance carriers. However, some businesses never go through a risk assessment, which can expose the company to unidentified risks and potential harm.

The risk assessment helps the insurance agent and carrier better understand your operations and enables them to make suggestions or requirements to help the business operate safely. The assessment will give you crucial information about risks that impact your business, but that's only the beginning. The other component is devising a plan to address those risks and executing that plan throughout the year.

Conducting a risk assessment and working with your insurance agent to set up a plan to address identified risks will create a safer and more productive work environment, and help your company become more attractive to the insurance marketplace.

### TIP: KEEP A CLOSE EYE ON YOUR COMPANY'S RISK

Perform a risk assessment with your agent at least once every three years, or sooner if operations have changed that could impact your policies.



**SIMA BEST PRACTICE:** Share your documented safety program and policies, including your incident reporting process, ongoing education, training and implementation (e.g., tailgate talks, perimeter inspections, safety equipment and PPE) with your insurance provider.

# MANAGE CLAIM RESERVES TO PROTECT PREMIUMS



The likelihood of an insurance claim filed by or against your company at some point is nearly 100%. Understanding what happens during the process is key to protecting your premiums.

When an insurance claim is processed, the carrier will attach a reserve amount to it. A reserve is the amount of money the insurance company estimates the claim will cost. This number could include medical bills, lost wages, property damage, etc.

This is only an estimate and often the claim will close at a lower dollar amount. Typically, the insurance company is going to err on the side of caution. This practice, however, can be detrimental to the insured; this is why monitoring your claim reserves on a regular basis is crucial.

There is a direct relationship between reserves and insurance premiums. When you renew your insurance policies, the carrier will view all claim reserves as claims paid. They assume their estimates are going to be close to the number they will end up paying out. This is why it is extremely important to review all open claims and get them closed out as soon as possible for as little as possible.

The first, most obvious step is to review all claims with your agent when they happen. After the claim gets processed and a reserve is attached, review it again. The claim may have incorrect information, which could lead to an inflated reserve dollar amount. It is crucial to have accurate reserves so you are not overcharged by the insurance company, especially leading up to your renewal.

Monitoring these claim reserves should be an ongoing endeavor. Some insurance claims are processed and paid quickly. However, claims that involve bodily injury, such as slip and falls, can last years. This is why it is critical to update the insurance carriers on any new information that may allow them to lower the reserve amount.

## Should you settle?

Whether legitimate or not, slip and fall claims tend to be expensive. When an insurance carrier sees a slip and fall, they typically attach high reserves to them. The unknown cost of medical bills is usually a large factor. In some instances, it can be cheaper to settle a claim for tens of thousands of dollars than have a claim reserve of hundreds of thousands of dollars on your loss history. Discuss your options with your agent and the insurance carrier.

## Review loss runs

You should receive loss runs every year from your insurance carriers. Loss runs show your claims history for a determined amount of time. This is valuable information and should not be discarded without reviewing. Everyone wants to save money on insurance. Reducing and closing claims are ways you can accomplish that.

This practice will greatly reduce the amount of money the insurance company has to keep in a “reserve” to settle any disputes and will allow your loss ratios to drop, which will increase your account profitability in the eyes of the insurance company.

## SIMA MEMBER RESOURCES

Access free insurance-related courses on demand at [train.sima.org](http://train.sima.org):

- Become a Best in Class Snow Company
- Understanding the Surplus Insurance Market
- Insurance Costs & Their Impact on Your Snow Budget
- What You Need to Know about Snow Insurance

Visit [www.sima.org/insurance](http://www.sima.org/insurance) for additional information and insurance resources.

## POSTSEASON TO-DOS



For any claims that are filed, take the time to review and refresh your drivers and employees on any accidents that occurred and how they could have been prevented. Also consider near misses and any problems you had throughout the season to identify any repeats or trends within the claims.

Often, claims are attributed to the same driver, same location or jobsite, and the same overall action or service being provided. Acting on these high-risk areas

or individuals can be just what you need to avoid costly repeat claims or a massive catastrophe.

Most of the time, claims reviews will help to uncover training opportunities and additional safety concerns to consider for the next season. This information will also provide invaluable feedback to your managers on jobsite maintenance and high-risk areas. Adding training to prevent problematic results can help your agent argue that you have corrected the claims issue and help to secure a favorable renewal.

## SERVICE REPORTING BEST PRACTICES

Keeping accurate records in a timely manner is key should you face a legal or insurance claim. SIMA's Snow Procurement Standard includes the following:

There shall be general site documentation and recordkeeping, known as a service report. At a minimum, the report should include why service was initiated, what services were performed and by what methods, by whom and when.

### TYPICAL REPORTS SHOULD INCLUDE:

- ✓ Name and location of site
- ✓ Operator(s) or account manager on-site
- ✓ Date of service
- ✓ Time of service (start and end times)
- ✓ Conditions of physical site upon start and completion of service (snow and ice specific)
- ✓ Weather-related conditions or circumstances, which may include reports from a verified weather forecasting service
- ✓ Services rendered
- ✓ Materials applied (types and amounts)
- ✓ Notes/special circumstances or conditions
- ✓ Photos (time/date-stamped)



### SIMA BEST PRACTICE:

Identify decision-making authority for which parties (and any associated individuals/positions) have control over service levels, in relation to starting service, continuing service, new services, and stopping of services before or during an event.

### START UP RESOURCES:

Check out additional risk management Start Up issues that cover insurance, contracts and safety at [www.sima.org/startup](http://www.sima.org/startup).

*Disclaimer: This resource is designed to provide an insurance overview and is not all-encompassing. Work with your insurance agent to determine proper coverage, limits and endorsements for your business. Canadian readers should contact an agent to determine requirements in their province.*

# CONTRACT REVIEWS CAN UNMASK RISKS



The amount of liability you assume can vary greatly from one contract to the next, which is why it is important to review with your insurance agent all contracts you are entering into as well as those you have written for your clients.

When agreeing to a contract, you accept liability that puts the insurer on the line and may negatively impact you in paying the policy's deductible; for most contractors, this challenge has been significantly increasing. The more specific the contract, the easier it is for the insurer to determine if the contractor can meet those obligations, allowing them to clearly assess the risk.

It is impossible to avoid agreeing to some liability in your snow contract, but language to protect your business and staff can be built into your contracts. Missing or incomplete

language can shift unreasonable liability onto the contractor. Examples of what they'll look for include:

- Service triggers
- Responsibilities for ice watch, post-event salt retreatments
- When the client controls how to service or when to start/stop operations
- Scope of work that includes language like "continuous monitoring," "bare pavement" or "slip-free conditions"
- Responsibility for damages
- Unfair risk transfer language

*Disclaimer: Insurance agents are not lawyers. All contracts should ultimately be reviewed by a trusted lawyer with knowledge of your operations and contractual obligations associated with snow and ice management.*

## SUBCONTRACTOR INSURANCE CHECKLIST

Many smaller companies build their portfolio as a subcontractor. It's important to understand the nuances to make sure you're covered for the work you do for others:

- 1 You'll need to provide a certificate of insurance showing you have coverage.
- 2 The contracting company will want to know if you have exclusions in your policy and that limits match their insurance. Some insurance policies will not provide coverage if your limits are less than the company that hired you.
- 3 Companies will require that you list them as an additional insured and that you have the right endorsements.

Getting your insurance in order before beginning to sub will make for a better relationship with the contracting company.

## TEAM ASSESSMENTS

Finding good employees, especially seasonal ones, is always hard. But implementing hiring best practices can help mitigate impacts to your premium in the event of employee injuries and damage:

- 1 Background checks and physicals are important to ensure you are not hiring your next workers' compensation claim.
- 2 Check the driving records of your employees yearly to ensure they are safe drivers. Also, have a documented driver safety policy – this will decrease the likelihood of one of your drivers getting into an accident while on the job.

Visit [www.sima.org/startup](http://www.sima.org/startup) for all Snow Start Up resources

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