

## COVERING YOUR ASSETS: BEYOND THE JEWELERS BLOCK POLICY

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For many jewelers, business insurance begins and ends with the required worker's compensation and a jeweler's block policy, which covers inventory. But there are other threats to business—business interruption due to fire or vandalism, loss of business personal property, liability suits—that can put you out of business without business insurance.

by  
Sharon Elaine Thompson

A disgruntled employee sues you for wrongful termination. Smoke and water damage from a repair shop fire close your store for two weeks in November. An e-mail virus cripples your computer system. The air-conditioning system in your Dallas store breaks down in August; your landlord says it's up to you to repair it and rent a replacement unit to keep your business running. A customer has a severe allergic reaction to earrings cast with used gold containing solder or other low karat metals. Imagining any of these situations can give you nightmares, but you can minimize your risk with the right kinds of insurance.

While retailers may take a great sigh of relief once their jeweler's block policy is in place, they're not home yet. "Jewelers worry about their stock first and foremost," says Darin Kath, vice-president of underwriting at Jewelers Mutual Insurance Company, "but they have other exposures." Many jewelers overlook liability, equipment breakdown, fire and flood damage, loss of business personal property and, most importantly, business interruption and loss of business income due to unforeseen disasters. This kind of coverage is available in a business owner's policy.

"In the overall scheme of things, says Delores Agliata, a broker with Lawley Service Insurance Group of Companies, "a business owner's policy is very inexpensive." Yet the

policy could be the difference between failure and survival after a disaster. Due to loss of income, the cost of ongoing expenses, and the replacement of all the furniture, equipment and supplies needed to run the business, says Agliata, "if retailers don't have business income or business interruption insurance, most businesses that suffer a loss, like a fire, will not reopen."

Business owner's policies cover any continuing expenses you are legally obligated to pay, such as advertising contracts, rent, and payroll. It covers the showroom window broken by vandals that the landlord considers your responsibility. It can include internal theft, money and securities lost in a fire, appraisal equipment and master stones, your accounts receivable, and other valuable papers and records. It covers the amazing number of items you never think about until you have to replace them (see "Is Everything REALLY Covered?").

"The beauty of business owner's policies," says Agliata, "is that they don't have a preset limit. The limit is the actual loss sustained." Naturally you'll have to have accurate records of average sales and expenses for a parallel time period to be reimbursed for the loss of income due to a store closure, and you'll have to make an accurate accounting of business personal property as well. "Record keeping is our number one issue," says Kath. "We try to encourage our customers to have their records in order."

Fires and floods are not the only disasters that can affect the income in your business. Depending on your situation, you can select specific coverage. For example, if your store is located in a mall, your business could be hurt by perhaps as much as 50 percent if one of the large anchor store goes out of business. An off-premises power failure can not only result in a loss of business income, it can compromise your security and alarm systems; if you're in an area where severe weather often creates power outages, it may be worth discussing this kind of coverage with your agent.

## Extreme Risk: Terrorism

Since September 11th, terrorism is on everyone's mind. If you own a jewelry store in a busy commercial city, such as New York, you are bound to wonder whether insurance is available to cover such a catastrophic event.

A business owner's policy can be designed to cover some of the fallout of a terrorist attack, says Agliata. For example, in the wake of the attack on the World Trade Towers, the area around the disaster was cordoned off. Jewelry stores within that area, although they had not sustained damage, were not allowed to open. If the actions of civil authorities force you to close and result in lost income, if you have specified it in your business owner's policy, the interruption of your business would be covered.

However, if your business is directly affected by a terrorist attack, it is likely that you will not be covered. Although the position of the insurance industry has been that the attacks on September 11th were not acts of war, and would not fall under the war exclusion in most policies, that will probably change in the future. It is likely that specific terrorism limitations or exclusions will be included in insurance policies; however, Kath explains that there is a movement in the industry to establish a central pool in which all insurance companies would participate. The insurers would cover a loss due to terrorism up to a certain dollar amount. After that, the federal government would cover the losses. "That's still in the idea stage," Kath cautions.

Not everyone will want or need this kind of coverage, says Agliata. Owners of businesses in certain higher risk areas--large commercial cities, port cities, large power-producing regions--might want to talk to their insurance agents and evaluate their risk. If terrorism coverage does become available, like flood or earthquake insurance, it will be more expensive in areas in which the situation is likely to occur, says Agliata. As earthquake insurance is probably going to be more expensive in Los Angeles, California,

than in Missoula, Montana, terrorism coverage would probably be more expensive in large commercial cities such as New York, Boston, Dallas, or Seattle than it would be in Lincoln, Nebraska. If you have any questions, about the coverage that is available, call your insurance broker.

### Equipment Breakdown

Businesses depend on electrical equipment of all kinds, from computers, to lights, to heating and cooling systems, to mechanical motors of all kinds. Any of these can break down, usually suddenly and always inconveniently. The costs to repair or replace these systems can be high and the loss of income due to an inability to run your business effectively only adds to the costs. That is why Jewelers Mutual recommends inexpensive equipment breakdown coverage as part of their business owner's combination policy.

The policy covers damage due to power surges, short circuits, electrical arcing, mechanical breakdown, motor burnout, boiler cracking, and centrifugal force. If a virus invades your computer and wipes out or scrambles your hard drive, the policy would cover the costs to research, replace and restore the data; if programs were damaged, it would pay to replace them and the operating system. If a burned out polishing motor causes a fire that damages other shop equipment, the policy would cover the replacement of the damaged equipment, and any loss in income due to an inability to deliver work on time; alternatively, it would cover the costs of sending the work to a trade shop in order to keep your promises to your customers.

Equipment breakdown insurance is especially important for jewelers who lease space. Contracts with landlords may place responsibility for the air conditioning/heating system or other electrical systems on the tenants. In the event that these systems fail, you may be obligated to replace or repair them, and to rent equipment until they are replaced

or repaired. Equipment breakdown insurance covers these costs when they are not covered by the landlord.

### Commercial Liability

When you mention liability, the word "lawsuit" comes to mind. Someone other than an employee thinks your business was at fault in their injury, and sues. There are two kinds of general liability coverage, says Kath. The first covers the premises and its operation. In a classic scenario, if a customer is injured by slipping on a wet floor or tripping on torn carpet, you would be covered if they sued.

The second kind of general liability covers products and completed work: injuries that result from the work you have done on a piece of jewelry or from something in the jewelry that you sold. "It doesn't cover faulty workmanship," says Kath. It would, however, cover a customer who suffered chemical burns on her skin, the result of a lye solution seeping from her inadequately cleaned hollow bracelet. If you offer ear piercing, you want to specify that service under this kind of liability coverage.

A commercial liability policy also covers your legal liability in the event that a fire in your store--due to faulty wiring in a display case or a mishandled torch--damages the building in which you lease space. If you own the building, it would cover damage to the neighboring businesses, if any.

### Employment Practices Liability Insurance

When you think of a liability suit, you may assume it will come from someone outside the store. However, "an employee suing a retailer for wrongful termination or harassment is more likely than being sued by a third party," says Kath. "Employment practices liability insurance covers that kind of exposure."

Before you dismiss this kind of coverage, Jewelers Mutual reminds you that no business is "too small" to be sued and that employment practices liability litigation has

increased 2200 percent in the last 10 years. And employer defendants lose 60 percent of the cases litigated. An employment practices liability policy would cover accusations such as invasion of privacy, negligent supervision or hiring, defamation, retaliatory discharge, and downsizing among others. The cost of the premium on such a policy varies with the limit selected by the policy holder and the number of the employees.

#### How Much Insurance Is Enough?

No two jewelry stores are alike, so no insurance professional can give a ballpark figure on how much insurance you should have. You'll have to take a close look at your store, your business and then talk to your agent.

Go through your store when it is quiet--before or after hours perhaps--and, with the aid of the list here, look at what would have to be replaced in the event of a fire or other disaster: furniture, cases, plants, art, lab equipment and master stones, binders for reference materials, reference books, stationery supplies, tags, boxes, job envelopes, shop equipment and findings. Check your rental agreement to find out whether you or your landlord is responsible for glass breakage or equipment breakdown losses.

Talk to your agent about commercial liability as well as employment practices liability. Once you have all the figures, compare the cost of an annual premium against the risk of a loss or suit. When you're planning for disaster--and that's what buying insurance comes down to--you want to broaden the coverage as much as possible, says Kath.

But insurance isn't enough. To prevent losses, you need to use common sense. In addition to having the right insurance policies, says Kath, keep valuable data, records, and computer disks stored off premises, back up your records, develop consistent hiring and disciplinary standards, and train your staff in security. "That helps minimize the adverse impact of a loss," he says.

"If there's one overriding theme to buying insurance," says Jim Patton, an agent with Rossmann-Hurt-Hoffman, "it's dealing with a specialist in the particular kind of insurance you're buying. They'll know the latest laws and have access to various companies offering a range of services." Don't be afraid to talk to several agents and examine several programs to find the one that best suits your insurance needs.

### JEWELER'S BLOCK: A BRIEF REFRESHER

"A jeweler's block policy is the most important piece of insurance retailers look to purchase," says Delores Agliata, broker with Lawley Service Insurance Group of Companies. Jeweler's Block policies, such as those offered by Jewelers Mutual, and Manufacturing Jewelers and Suppliers of America (MJSA), cover theft or loss of your inventory, inventory on consignment or memo from suppliers, a rep's line while he or she is in your store, and customers' jewelry--whether retail or trade--under your "care and control." (One reminder: Always clarify with the supplier who is expected to insure the inventory when it is in your store on memo.)

You may choose optional shipping insurance that is paid in addition to the insurance provided by registered mail or overnight carriers. "We encourage jewelers to use the postal service whenever possible. It is safer than any other method," says Darin Kath, vice president of underwriting for Jewelers Mutual Insurance Company. If you need errors and omissions insurance for on-premises appraisals, some jewelers block policies allow you to add that to your coverage.

If you take jewelry off premises--to a trade show, a repair shop, an appraiser, the post office, or the home of a client--you can choose insurance that will cover you against loss or theft. You can buy this coverage--at a higher rate--on a case-by-case basis, explains Agliata, but the rate goes down if you estimate the number of days per year you

carry inventory off premises, and include that coverage in your policy. In addition, she says, you won't run the risk of forgetting to call the insurance company each time you need it.

Another piece of coverage to build in is insurance to cover the increase in inventory on hand during peak seasons. Block policies allow you to determine which times of year your inventory is unusually high and for how long; you'll be charged a higher premium at that time, but you won't have to carry a high premium all year just to cover those peak times when inventory, memo and consignments are high. By making as many of these coverages automatic, says Agliata, "we try to take the responsibility off the retailer as much as possible."

Kath says Jewelers Mutual encourages jewelers to insure to a higher value all year round. "That way they are not caught short if goods come in early or they miss something." The company tries to make their pricing competitive, says Kath, so that this practice does not place an undue burden on the jeweler.

Jewelers Mutual offers coverage geared specifically to bench jewelers and independent appraisers. "It is intended to cover repair operations of jewelers who work out of their own premises or who travel from store to store," says Kath. Because a shop on the premises is covered under the standard jewelers block policy, this coverage is designed specifically for those doing appraisals or repairs exclusively.

A jewelers block policy is based on the amount of inventory a retailer carries on average. Policy holders are required to do a detailed inventory once a year.

## WORKER'S COMPENSATION INSURANCE

Worker's Compensation coverage is required by most, but not all, states. It covers 100% of the costs of on-the-job injuries. Depending on the state mandates, costs and



conditions covered vary, but may include: carpal tunnel, injury during a robbery, stress, falls, burns, injury due to mechanical equipment (such as casting equipment, motor tools), lung injury due to exposure to toxins (such as cyanide stripping liquids, acid fumes, lye). Some states cover stress. Worker's comp also pays an employee's salary during time off work due to these injuries until they can get back to work.

Although costs vary by state, workers compensation is inexpensive, and is worth carrying for your employees even if it isn't required. If you're incorporated, some states require coverage even if you are the only employee. In other states, you have to carry worker's comp if you're a sole proprietor and have only one employee besides yourself.

## LIFE INSURANCE--PROTECTING YOUR BUSINESS

The purchase of life insurance is a personal decision, and one with many variables. If you choose life insurance and how much you choose, depends on many factors: do you have children, a mortgage, and so on. If you have a business that you want to continue after you, or if you simply want the transition to a new owner to be an easy one for your family, you might want life insurance for the sake of the business.

Life insurance should be part of your estate or perpetuation planning. "You should have a life insurance policy for the business that covers the cash flow, maybe three to six months of overhead to keep the business going during the transition," says Jim Patton, with Rossmann-Hurt-Hoffman.

If you balk at the cost of whole life, or if you only need insurance to cover the transition stage of the business after your death, consider term life. It is relatively inexpensive, and will cover you for 20 to 25 years.

## OFFERING EMPLOYEES HEALTH INSURANCE

by

Sharon Elaine Thompson

While you may have health insurance for yourself, you may not have a health insurance policy for your employees. But if you're having trouble holding good employees, you might want to rethink offering health insurance as a benefit.

Everyone knows health insurance is expensive. It's expensive because the loss can be unlimited: the cost of cancer or a heart attack can run into the hundreds of thousands of dollars, explains Jim Patton of Rossmann-Hurt-Hoffman. This is as true for your employees as it is for you, the store's owner. And they are just as anxious to have medical coverage as you are. So if you can offer a health insurance program, you'll find that your employees are much more reluctant to leave. "Even if an employee is offered another \$100 a week," says Delores Agliata, a broker with Lawley Service Insurance Group of Companies, "if there are no health benefits, they probably won't leave your store." As the health benefits, especially for a family, can't be replaced for that amount of money, offering a health plan to your employees "buys loyalty," says Patton. "It ties the employee to you. It keeps good employees and attracts a better level of employee. It's a good benefit to have."

Another reason to look at a health insurance plan for your employees is that you might get a better rate for yourself. "If you buy group health insurance, you can get better coverage and a better price than an individual can," says Patton, because the policies average the age of the people covered in the policy. If you have many younger people working in your store, this can actually benefit an older owner. You can get a better rate for your own health insurance as part of the group. "Age is a big determining factor in health and life insurance."

Although health care coverage is expensive, you don't have to bear the entire cost yourself. You can choose a fairly high deductible to bring down costs, or cover a percentage of the premium with the employee paying the rest. "Prescription drugs are the biggest factor in the monthly premium. You can get that down with a large deductible," says Patton.

The policy can be designed to cover anything you want and will vary with the group covered. Older employees may want prescription coverage, younger ones want emergency room and maternity coverage. It is not unusual to have an agent talk to the employees as a group, letting them ask questions. But Patton emphasizes that no program will be perfect; not everything in the policy you choose will cover what every employee wants.

Vision care--so vital to appraisers and those working at the bench--and dental plans are not usually covered in health insurance plans, however, you can buy them as riders to the health insurance policy or buy them from individual companies. They usually require a minimum of 10 employees to write a policy.

Group health insurance is not usually offered through national associations; insurance regulations vary from state to state making it impossible to create a single policy to cover everyone's needs. Yet, says Brenda Gamba, director of member services at Manufacturing Jewelers and Suppliers of America (MJSA), "without an association plan, these companies have no where to turn." That is why MJSA has spent several years developing a workable plan to find competitive coverage for their members. "Because we represent so many diversified manufacturers, designers, and suppliers, it has been a challenge to represent everyone," says MJSA representative Stasia Walmsley. Working with a large national group, they can help larger companies find coverage; for smaller

groups, they found an Internet quoting service. "That's where we're able to help our individuals," says Gamba.

While you may be able to find a better premium going through an association such as MJSA, you won't find any bargains. "You need to understand that there is no such thing as discounted health insurance," says Agliata. "What we've tried to do is separate the larger and the smaller, and to find the most competitive market with the broadest network of doctors."

(Retailers with as few as one bench jeweler on their premises qualify as a guild members of MJSA, says Gamba, and become eligible to participate in the association's health insurance plan. For more information, see MJSA's website at [www.mjsainc.com](http://www.mjsainc.com).)

If you're shopping for your own plan, take your time. "Find a good insurance agent who is knowledgeable in the health area and don't be afraid to talk to more than one agent to get the best price," says Patton.

### Is Everything REALLY Covered?

Jewelers Mutual Insurance Company puts out a Business Personal Property Checklist that can be a real eye opener. It's a reminder of all those things in the store that you see and use daily, that you don't think about adding to the value of your insurance policy, but which, in case of a fire, you might have to replace. Although the following list is not exhaustive, use it as a guideline to help you locate the "invisible" property in your store. Compile a list of your business's personal property and its value, then review your policy. Are you really covered?

#### Office Equipment

Telephone, answering machine, fax machine, calculators, file cabinets, staplers, tape dispensers, copier, camera, portable fans, date stamps, bookshelves, paper punch, pencil sharpener, paper cutter.

#### Stereo Equipment

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Tape deck, tuner amplifier, speakers, tapes, CDs.

#### Security Equipment

Safe or vault, TV video monitor, closed circuit cameras, VCR recorder, silent alarm buttons, burglar alarm system, recording tapes.

#### Gem Lab Instruments

Microscope and adapters, loupes, spectroscope, long/short wave lights and stands, polariscope, refractometer, utility lights, scales, camera, film, master set, specific gravity liquids, tweezers, measuring devices.

#### Computer

CPU, keyboard and cover, monitor, printer and ink cartridges, tape backup and tapes, surge protector, mouse and mouse pad, power pack, disks, printer stands, data switch, cabling.

#### Shop Tools and Equipment

Vacuum cleaner, brooms, torches, Optivisors, soldering pads, engraving machine, polisher, motorized handpieces, gold testing liquids, bench lights, towels, aprons, battery tester, electronic scale, workbenches, clock, beading needles, scissors, tweezers, exhaust system, cabinet.

#### Back Room

Coffee maker, postal scale, refrigerator, microwave oven, toaster oven, wall clock, flatware and dishes, coffee cups, waste-baskets, fans.

#### Office

Desk, credenza, bookshelves, chairs, books, display items, art work, television, phones, wastebasket.

#### Showroom (including improvements and betterments\*)

Display units, pillar cases, show windows, wall cases, floor cases, pick-up counter, corner counter, cabinets, track lighting, framed artwork, storage trays, and inserts, shelves, signs, blinds, plastic boxes, cash registers, credit card machine, chairs, literature holders, silk plants.

#### Lease Responsibilities

Some leases require tenants to maintain coverage for glass, heating and air conditional equipment and other items necessary to maintain the building. Please check your lease.

#### Office Supplies

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Letterhead, envelopes, appraisal forms, pre-printed forms, note pads, job envelopes, gift boxes, shipping boxes, bags, wrapping paper, wrapping bows, tissue paper, thank you cards and envelopes, plastic ziplock bags, Rolodex, binders, cash box, gift certificates and envelopes, copy paper, hanging files, file folders, jewelry tags, post cards, pens, pencils, markers.

\*Ask your agent about limits for your use interest in improvements and betterments.  
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