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INSUROFS OF TEXAS

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As we start a new year, have you reviewed your business and personal insurance policies? Have your circumstanced changed in a the last year? Need a review? Call us today at 254-759-3701.

Business Interruption Insurance: Should You Insure Ordinary Payroll?

Among the many decisions an employer makes when buying business interruption insurance is whether to insure ordinary payroll, and if so, for what length of time. It is important to consider and revisit this question periodically, because your business needs can change from year to year based on type of operations, plant or office locations and the economy.

Ordinary payroll is defined as payroll, employee benefits (if directly related to payroll), Federal Insurance Contributions Act (FICA) tax, Medicare payments, union dues and workers' compensation premiums for employees other than professionals, officiers, executives, department managers and employees under contract, all of whose payroll is covered as a necessary expense in the event of a catastrophic loss under a business interruption policy.

In most policies, payroll costs are treated like any other cost incurred after the incident -- if costs are necessary, they are reimbursed. Therefore, fundamental employees and labor costs associated with property damage repairs should be reimbursed. However, when employees are wholly idled as a result of the incident, their payroll is not considered a necessary expense and can only be reimbursed under the ordinary payroll endorsement, which goes into effect for a specified number of days (typically 30, 60 or 90 days) after the business interruption. This type of endorsement may be necessary to avoid difficulties with union contracts. In other words, an ordinary payroll endorsement is a wise investment for those businesses that have employees considered unnecessary by policy terms but that they would like to keep on staff until after the business is back up and running.

Directors' and Officers' Liability Insurance

In today's business climate of corporate transparency and accountability, an organization's officers and directors face a myriad of employment-related exposures. Sarbanes-Oxley regulatory mandates and shareholder activism mean directors are more frequently at risk, translating to rising claims and escalating settlement costs.

In the wake of unprecedented corporate scandals in recent years, clearly the trend of corporate accountability applies to large corporations. But privately held companies, including non-profits, are not exempt from litigation arising out of the management decisions of their boards. They, too, are at risk.

Regardless of your company's size, the legal cost to defend a director is substantial, as are the potential personal penalties. Due to the personal liability risk - which is not covered under a personal insurance policy -- protecting boardroom talent can be a challenge. To help ensure both your officers' and company's well-being, a directors' and officers' liability insurance (D&O) policy is part of a comprehensive risk financing strategy.

Call us today at 254-759-3701 to ask questions or talk about this valuable coverage!

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