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INSURANCE

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INSURANCE

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We have been working with exterminators on the insurance problems for thirty-five or so years. Recently PCO's have been doing much in the way of bird control. There does not seem to be anyone that we know of who does strictly bird control insurance, so our group always ties it in with our pest control. I feel that nothing touches everyone so regularly, with the exception of the federal government, as your insurance premiums. I would like to discuss with you the causes and results of accidents and how they can effect insurance premiums.

It appears as though there is a lack of initiative in safety programs; most people feel that one or two accidents per year do not amount to anything. But if you combine these with one or two accidents per farm and thousands of farms, there is a large problem; and insurance is not a substitute for a good safety program. Many people feel that it is saying, "Well, I'm insured; I don't have to worry about what I do." But this obviously does not solve the problem.

In a National Pest Control survey, which many PCO's participated in, over 40 percent of those who answered the questionnaire had property damage claims; and the ratio of property damage claims to bodily injury claims is about four to one. This has been the case for many years. The average settlement for property damage claims has been \$564. Property damage rates have gone up over 80 percent in the past five years. This includes coverage for contamination and pollution. And all during this time, bodily injury rates have only increased slightly.

I would like to illustrate with several examples. First is a company which for four years paid its premiums at \$1837, had \$1548 in losses in nine claims. This means that they were just about the average, with a little over two losses a year. Their premiums were increased by about 25 percent because of this. Hopefully the company will get some of their money back; if not, they will just change insurance and go somewhere else. And this is typical of what happens.

Another example is the man who pays, over a three year period, premiums of \$2750. Losses of \$8650 were paid out over five claims, a little over one a year. He had two rat bites. I would like to relate the rat bites to you, since a contamination problem in a plant caused by birds might be similar. The insurance company was obligated to defend this man because rats bit someone, and they had to actually pay out the money. It may not have been the exterminator's fault, and it may not be your fault if you do a job on a plant and bird droppings happen to still get in; but this is the thing that you are protected against.

Another example is what we call a "broom." We paid out two thousand dollars for a man who did a job, cleaned up after himself, left a broom, and

a client tripped over the broom. We paid out \$2050 in bodily injury claims. He also caused a child's death, at \$5500 by leaving a chemical around. Now this was a careless outfit; we no longer have it. He went out of business, but these are the things that can happen.

The next example concerns a \$7076 premium paid over a four year period, and only \$1031 paid back in claims. There was one claim, one big claim, and he had a ten percent credit.

Perhaps I should inject at this point that many of you are doing business throughout the country with various brokers. I would check with my broker and see if, by virtue of your premium volume, you are eligible for credit on your policy. This is a way to save some money. Most people offer it, but some, if they do not know about it, do not take advantage of it. It is a way, if your premiums are large enough, to save money.

The next example is a \$5411 premium in two years with \$7676 paid back. That's ten claims. We had five a year; five property damage, five bodily injury. He actually burned down someone's home. He used a chemical, a fire started, and the house burned down. There has been virtually every kind of claim you could imagine - roofs that have been blown off, and so on.

So anything can happen. Another paid \$1200 in premiums over a period of two years. Sixteen hundred dollars were paid back in losses, five claims in two years, a little over two and a half claims per year. In this case, some spray damage was done to walls, and some staining problems resulted. This is the type of thing, again, which can be related to bird control, where you are having a problem with property.

Another example, \$5036 premium paid over a four year period, \$3590 paid back in losses. Thirty claims, these were a lot of little claims. There were 36 incidents, each a small amount of money. Three out of four years he had some bad experience. He premium was up almost 40 percent because of this. So these are the things that happen. This is what insurance companies do.

The last example is \$2161 in premiums, \$2715 in losses. This was in one year. There were three claims, smudges on walls, which were due to fogging operations. There were also smudges on ceilings, on furniture, and so on from the fogger. There were several small losses, \$1500, \$800, \$365. These are just the types of things that happen; and although only several examples have been given, we are talking about thousands and thousands of policies, and these are just typical of what is happening. This is why premiums are going up.

Question: Should the policy specifically state if it is for bird control?

Answer: No. Not necessarily. We include bird control under the general pest control and termite category. We have no special classification for it. Basically, on the liability, there is no difference in the way we treat bird control along with general pest control.

Question: What about vehicle damage? Is that provided by you, or in your policy?

Answer: *General* vehicle damage is covered, but it has nothing to do with this in particular. Here we are talking about bodily injury and

property damage only under general liability policy. We do have a lot of vehicle damage.

Question: Is there \$50 deductible on all your claims?

Answer: Yes.

Question: Suppose you have a \$50 deductible and you get a claim, and it is going to be \$80. Are you better off paying your customer the \$80, or to report the claim to the insurance company?

Answer: You should report any claims to the insurance company even if you to pay them. Just say, "Look, I want you to know about it. I think I'll be able to take care of it." Probably anything between \$50 and \$100 you'll want to take care of yourself. It will not be held against you, the \$30 in this case. I would say, #1, report it to your company; #2, if it is small handle it yourself, just for customer relations, because people really do not want your insurance company. You are the first line of defense. They want you, and if you can handle it you have a happier customer, then having him sitting around waiting for a company to contact him and finally pay him.

Question: But to what extent does the insurance penalize you if you do claim it? So it's an \$80 claim; it doesn't amount to much.

Answer: Eighty-dollar claims -- they are a great nuisance. It depends on your premium, match the premiums thirty times eighty against your premiums. You are better off to pay the thirty dollars each.

Question: There are times however, when you will want to insurance company to handle somebody who in annoying you.

Answer: You should let the company know what is going on. That is most important. Because an \$80 claim can develop into an \$800 or an \$8000 claim many times if it is not handled properly.