



Comprehensive Coverage

A newsletter ensuring your company's safety and security through DHI-Sponsored Insurance Program

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DHI LAUNCHES NEW CREDIT INSURANCE PROGRAM

Protecting Against Client Non-Payment

The volatility and uncertainty of today's business environment makes credit risk or the risk of non-payment more worrisome than ever. No business wants to suffer the fate of the creditors of Enron, MCI/Worldcom, Lehman Brothers, and IndyMac, among others.



DHI member companies are particularly vulnerable to credit risk given the relatively low margin nature of the industry and

the concentration of sales over relatively short peak season periods. This vulnerability is compounded by the fact that accounts receivable amount to a very large segment of the total assets of the typical DHI member. Non-payment of even a small portion of its receivables could be devastating to many member firms. A firm with a 5% net margin would need an additional \$2 million in revenue to make up for a \$100,000 A/R default!

What can a DHI member do to prevent or at least mitigate bad debt losses? Isn't credit risk just an unavoidable cost of doing business? The simple answer is No.

In response to this problem, DHI has developed The DHI Credit Risk Management Program specifically designed for its member companies. The core benefit of the Program is cost-effective credit insurance. For only 10 to 30 basis points (1/10 to 3/10 of one percent) of revenue, you can insure your accounts receivable against credit loss. For a firm with \$5 million in annual revenue, the typical premium would be between \$5,000 and \$15,000. In addition to the insurance component, the credit insurance carriers make available a variety of other tools and resources designed to reduce the incidence of non-payment. These resources include access to expert evaluation and proprietary databases that allow ready evaluation by management of the creditworthiness of both existing and potential clients.

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Management Matters

By Peter Elliott, CPSU
President & CEO, TISC

Insurance – It IS That Important

The past year, 2008, was a challenging one for our nation. The economic turmoil touched almost every American and virtually all industries, including door & hardware distributors, and insurance. It is times like these that the staff at TISC, the Door & Hardware Institute's Endorsed Insurance Program Provider, is proud to have a positive impact on the operations of so many DHI member companies. We embrace the fact that our job is to protect you by minimizing the potential for loss from the foreseen and the forecasted. However, even the best insurance loss prevention specialist cannot completely eliminate accidents or predict the future, and that means our work is not done until our valued customers have been assisted in their time of need. We are happy to have served those members who sought us out for our expertise in exposure recognition, loss minimization, coverage solutions, and claims assistance. This is a true testament to the way we conduct ourselves in our business, which is professionally, but with a personal touch driven by a sincere concern for those we protect.

How did you make your insurance buying decision in 2008? Was it on expertise of the agent? How well informed do you think your insurance provider is about the evolving trends, which include regulation and economic conditions that impact you as a distributor? Maybe knowledge isn't that important. Possibly, choosing an insurer should strictly be based on the premium with the lowest cost being most important. All insurance is basically the same, right? Beyond your choice being made on cost and expertise, I am sure that the relationship that you have with your provider offers you a feeling of security and trust and it plays into your decision to some degree. Hopefully you have used some combination of these techniques to determine what is the best insurance option for your company.

Honestly, all insurance is not the same and it is easy to be fooled by a variety of things. For instance, with the chal-

lenges of 2008, were you and your agent prepared for the economic turbulence, the weather catastrophes, and the intellectual property or data liability risks that developed during the year?

With regard to the economy, the typical insurance provider might state that a poor economy is simply a business risk which is uninsurable. Nice answer, but not true. For businesses that extend large amounts of credit, there is protection against a default with receivable insurance – and not the standard kind found in the normal wholesale distributor insurance products. The economic challenges that the country has faced did not creep in silently overnight. Did your agent or provider ask you anything about your concerns and analyze the risk you faced? Maybe it wasn't that important.



After Hurricanes Katrina and Rita in 2005, everyone had their eye out for exposure to weather catastrophes. However 2006 and 2007 were relatively incident free and it lulled many back into a sense of false security. Well, 2008

snapped us back to reality as flooding hit the Midwest States hard, and hurricanes like Gustav and Ike tore through the Gulf Coast and proved that insurable losses of \$11 billion were still possible. Were you and your agent or provider prepared for these events? Did your policy cover you for the peril of flood? Maybe coverage just wasn't that important.

By now you should have heard about Red Flags Rule that was established by the Federal Trade Commission and becomes active in 2009, but has your agent or provider ever heard of this? The issues and exposure that this regulation will bring to your attention is network security and data liability. The insurance industry has had policies that address these challenges since 2007. Were you aware of this in 2007 or even last year? Maybe it just isn't that important.

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Safety Matters

By Stephanie A. Szymczak

Telcom Insurance Services Corp.

“PPE: Are Your Employees Protected?”

Personal Protective Equipment (PPE) provides extra protection for the body. PPE comes in all shapes and sizes, ranging from protective clothing and helmets to goggles and hearing protection devices, to name a few. Most of this gear is designed for job-related occupational safety and health (OSHA) purposes. As such, OSHA standards require the use of PPE where there is a “reasonable probability” that injury, illness or death from hazards such as electricity, heat, chemicals, or infection can be prevented by such equipment.

Unfortunately, despite the fact that OSHA requires the use of suitable PPE, not enough people take the precautionary steps to put it on. According to studies done by the Bureau of Labor Statistics:

- Approximately 1% of 770 workers suffering face injuries were wearing face protection;
- About 40% of the workers who suffered eye injuries on the job wore eye protective equipment;
- Only 16% of workers who sustained head injuries were wearing hard hats at the time of the accident; and
- About 23% of the workers with foot injuries were wearing safety shoes or boots at the time of the accident.
- A majority of these workers were injured while performing their normal jobs at regular worksites.

The use of PPE is extremely important. OSHA views PPE as a supplementary measure for hazard control used to protect employees and necessary when all hazards at a work-site have not been or cannot be controlled through other means. Because of this, OSHA has amended its policy on what forms of PPE employers are required to pay for and provide for their employees, stating that the costs associated will be worth the benefits connected to the amendment – in essence, assuring a safe and health-

ful work environment for all employees. This amendment was enacted on May 15, 2008.

The new amendment obliges employers to pay for the minimum level of PPE required by OSHA standards and replacement PPE, so long as it was not intentionally lost or damaged by the employee. As with every rule, there are exceptions. The exceptions to this final rule include: everyday clothing that could serve as extra PPE, such as

long sleeved shirts or street boots, or clothing that serves as weather protection, such as jackets or parkas; non-specialty safety-toe protective footwear and non-specialty prescription safety eyewear; so long as the employer allows the employee to wear these items off the job-site; logging boots, whose payment is open to negotiation; or when an employee, at the discretion of the employer, is given permission to use different PPE than that provided. The final rule has an enforcement deadline of six months from the date of publication to give employers time to change their existing PPE payment policies to accommodate the final rule.



Using personal protective equipment requires hazard awareness and training. Employees using PPE should be aware that equipment alone does not eliminate hazards, because if equipment fails, there is still exposure to injury. A safety program should be implemented addressing the hazards present; the selection, use and maintenance of PPE; the training of employees; and monitoring of the program to ensure its ongoing effectiveness.

For more information and complete details on the Employer Payment for Personal Protective Equipment; Final Rule - 72:64341-64430, please refer to the OSHA ruling at www.osha.gov.



Network Security and the Red Flags Rule: Is Your Company At Risk?

In today's electronic world, identity and credit theft have become common. Identity thieves use people's personally identifying information to open new accounts, drain funds from existing accounts, and create havoc for consumers and businesses. The problem has become important enough that both national and state regulators have turned their attention to it, and most have voted in laws to protect consumers. Additionally, they have charged regulatory bodies with implementing data safeguards, which businesses must adopt, that are intended to minimize the possibility of data breaches. It is the latter that this article will focus on, but please do not ignore the fact that your state might require you to implement procedures to protect data, and they may have protocols that need to be followed in the event of a breach that can run from simple notification of the proper parties, to more elaborate steps like paying for credit monitoring for the victims.

The Federal Trade Commission (FTC), the federal bank regulatory agencies, and the National Credit Union Administration (NCUA) have recently issued regulations called the "Red Flags Rule" requiring financial institutions and creditors to develop and implement written identity theft prevention programs as part of the Fair and Accurate Credit Transactions (FACT) Act of 2003. Enforcement of the new Red Flags Rule begins May 1, 2009. Does this affect your company? And if so, are you prepared?

Who Must Comply With the Red Flags Rule?

Although every business or organization that has an ongoing relationship with consumers should keep an eye out for the possibility of identity theft, the Red Flags Rule applies only to:

- **Financial Institutions** – a bank, savings and loan, credit union or other entity that holds a "transaction account" belonging to a consumer. A "transaction account" is an account that allows the owner to make payments or transfers. Examples include checking accounts, savings accounts that permit automatic transfers, and share draft accounts.
- **Creditors** – businesses that regularly extend, renew, or continue credit; arrange for someone else to extend, renew or continue credit; or are the assignee of a creditor who is involved in the decision to extend, renew, or continue credit. Under the Rule, "credit" means an arrangement by which you defer payments of debts or accept deferred payment for the purchase of property or services.

In other words, payment is made after the product was sold or the service was rendered.

Of course, DHI members do not fall into the category of "Financial Institutions", but could fall into the category of "Creditors" if the business has "Covered Accounts." There are two types of covered accounts:

- An account used mostly for personal, family or household purposes that involves multiple payments or transactions – such as credit card accounts, mortgage loans, utility accounts and checking or savings accounts.
- An account for which there is a foreseeable risk of identity theft. An example of this would be a small business or sole proprietorship that may be vulnerable to identity theft. To determine your exposure to this risk, consider the risks associated with how the accounts may be opened or accessed (what type of interaction and documentation is required?), as well as your experience with identity theft.

If your business is a creditor but does not have any covered accounts, you don't need a program. But if you have covered accounts, you must develop a written program to identify and address the Red Flags that could indicate identity theft. To learn more about how to comply with the Red Flags Rule, please visit www.ftc.gov.

Is There Coverage for Identity Theft/Network Security Breaches on Your Current Insurance Policies?

Regardless of whether or not your company must comply with the new Red Flags Rule, your business most likely has some kind of exposure to network security breaches. Storing social security numbers/bank routing numbers/ credit card numbers of customers/ credit reports, and employee background checks or drivers license data of employees, puts your company at risk. When there is a breach of an individual record, or a breach into your network that houses multiple customers' or employees' private data, what is the potential liability for this, and what insurance options are available to protect you and reimburse 3rd party claimants on your behalf?

The General Liability policy could potentially provide protection under the property damage and personal injury sections. However, property damage is generally defined as 'for damage to tangible property' and data is not 'tangible'. General Liability policies also do not cover violations of rules, laws and regulations, such as the Red Flags requirements.

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Annual Fire and Egress Door Assembly Inspection

By Keith E. Pardoe
DAH/CDC, CDT, Door and Hardware Institute

Based on *NFPA 80, Standard for Fire Doors and Other Opening Protectives* (2007 edition), documented inspections for fire-rated door assemblies are now required on an annual basis. Chapter 5, "Care and Maintenance," addresses the care and maintenance of fire doors and fire windows, both new and existing.

As 5.21 states "Fire door assemblies shall be inspected and tested not less than annually, and a written record of the inspection shall be signed and kept for inspection by the AHJ."

Swinging doors with builders hardware are the most common type of fire door assembly, and are among the most complex due to the myriad of materials and products that are used to create them. These assemblies often provide accessibility, security and life-safety functions in addition to their fire-safety protection, also increasing their complexity. Inspectors must thoroughly understand the dynamics of these assemblies in order to correctly evaluate them in the field.

What role does our industry play?

As 5.2.3.1 indicates, "Functional testing of fire door and window assemblies shall be performed by individuals with knowledge and understanding of the operating components of the type of door being subject to testing." Due to the education and training provided by DHI (see additional information on www.dhi.org), members of our industry will have the opportunity to actively participate in the inspection process.

Why Participate in the Annual Fire and Egress Door Assembly Inspection Program?

- Create a new business model for distribution
- Increase opportunities to meet with end-users
- Create a new revenue stream by simultaneously handling the inspections, upgrades and residual maintenance for fire-rated doors
- Establish credibility as a leader in life safety and security
- Be directly responsible for increasing life safety
- Advance your career and increase your value as an employee
- Increase your competitive edge



Fire and Egress Door Assembly Inspection Class (DAI600) Conducted during DHI Education Sessions: September 18-25



34TH ANNUAL CONFERENCE & EXPOSITION
ORLANDO '09
CONFERENCE: Sept. 16-25 • EXPO: Sept. 16-17
Gaylord Palms Resort & Convention Center

DHI CONFERENCE: Sept. 16-25

DHI EXPO: Sept. 16-17

DHI EDUCATION: Sept. 18-25

Gaylord Palms Resort & Convention Center • Orlando, FL

For more information about this class, its prerequisites, or Conference/school registration details go to:

www.dhi.org or Contact DHI at 703/222-2010

Dhi Launches New Credit Insurance Program

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The Program provides members with a comprehensive risk management and insurance approach to receivables:

Security for the DHI Member's Most Important Asset – Assurance that your accounts receivable will be paid. If the client does not pay a valid account receivable, a financially sound insurer will (subject to co-pays or deductibles, as applicable).

- **Cash Flow Protection** – Avoid potentially devastating disruption of your company's cash flow.
- **Risk Management and Improved Operational Efficiency** – As an insured, you will have access to services such as expert credit analyses of potential clients and ongoing monitoring of key accounts.
- **Expand Sales Opportunities** – With your policy in place and the underwriter's approval, you have the ability to offer credit terms to new and high-risk clients without assuming all of the risk. Too often companies forego new business opportunities because of concerns over credit-worthiness. As long as the potential client is approved by

the insurer, you can pursue business opportunities without shouldering all of the risk.

- **Command More Favorable Borrowing Terms from Lenders** – By reducing the risk you will not be paid, you become a more attractive borrower. You can use your enhanced creditworthiness to command more favorable credit terms from your lenders.
- **Political Risk Protection** – For companies that operate internationally, credit insurance can protect against non-payment due to governmental action.

For many companies, credit management has historically entailed checking a D&B report, a "seat of the pants" decision and hoping for the best. With the new DHI Credit Risk Management Program, you can apply a risk management and insurance solution to this most critical area—ensuring you get paid.

To learn more about the DHI Credit Risk Management Program and its benefits, please contact your DHI Insurance Program Administrator, Bonnie Gauerke at 800.222.4664 ext 1635 or BLG@TelcomInsGrp.com.

Insurance – It IS That Important

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“I believe that you buy insurance from people you trust and who understand your business - not just on the surface, but in depth.”

Trust is critical if you are going to rely on your insurance provider to analyze exposures with you, and even if you do not agree that the items I have listed as problems in 2008 posed a threat to your business, you still hopefully see how important it is that your agent has at least discussed them with you and allowed you to dismiss by choice and not chance. Ignorance may be bliss, but that all changes when an uninsured loss happens. At TISC we have insurance products, coverage, and risk management tools available to address all of the major challenges that I have stated for 2008 and they have been in place since 2007.

I believe that you buy insurance from people you trust and who understand your business - not just on the surface, but in depth. This statement, a person you trust with in-depth knowledge of your industry, creates a formula for the best buying decision. Our staff is always looking for ways to demonstrate how TISC differs from other insurance programs for commercial openings professionals. In most cases, relationship development is our primary focus, which establishes trust. This often leads to a friendship with our customers. Our product development, which I have shared information about above, points to TISC as an insurer with in-depth knowledge of the industry we serve. The TISC staff and I are extremely grateful for the opportunities we have to care for the members of DHI who have placed their trust in us. We enjoy the positive and negative feedback that we are offered because it helps us grow. It is very clear to all of us that where you insure your business has always been a matter of trust, and we seek to earn it each year.

In 2009, my staff and I hope to meet many of you at DHI events to tell you more about the DHI Insurance Program. Thank you for your support and for making this possible.



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INSIDE INSURANCE

Do you have a body part that you consider vital to your ability to do your job? Few of us consider our body parts to be in any way unnecessary, but what if you were famous and your career was dependent upon the use of a certain part - Fred Astaire's legs for instance. We've all heard stories about celebrities who insure their various body parts with Lloyd's of London. Famed English soccer player David Beckham has his legs insured for \$70 million. Irish step dancer Michael Flatley has a \$40 million policy on his legs. But what else do people get insurance on? British food critic Egon Ronay insured his taste buds for almost half a million dollars. Cricket player Merv Hughes has a policy on his mustache for almost \$300,000. While living, actress Bette Davis even had her waistline insured for \$20,000.

Surprisingly enough, the one body part Lloyds will not issue you an insurance policy on is your brain as it is not considered an insurable asset.

... *Did you know?*

For an insurance review, contact:



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