

Forum

A monthly publication reporting on issues affecting the insurance industry in Ohio

November 2004



Representing Ohio's property/casualty insurance industry

172 E. State St., Suite 201
Columbus, Ohio 43215-4321
614/228-1593
Fax: 614/228-1678
www.ohioinsurance.org

Kathleen B. Strawn, Editor

Although health-insurance costs remain the No. 1 concern for small businesses in 2004, the ranking of other problems has changed dramatically in the last four years.

In its sixth survey of small-business problems over the past 22 years, the National Federation of Independent Business found health care continues to be the most important problem. It has been the No. 1 problem since 1986.

However, the No. 2 concern this year – the cost and availability of liability insurance – ranked 13th four years ago. And, 30 percent of small business owners now consider it to be a “critical” issue.

Workers' compensation costs is now in third place, up from seventh place in 2000. Energy costs, excluding electricity, also moved up from tenth place to fourth place. Federal taxes on business income dropped in ranking from second place four years ago to fifth place this year. □

Management at most private companies believe it is likely that an employee will steal company funds or equipment this year. A study sponsored by the Chubb Group of Insurance Cos. found that executives at 60 percent of the companies surveyed anticipate that employees may steal funds or equipment from the company, while 34 percent said employees may steal funds from a client.

Chubb's 2004 study, which surveyed the chief executive, financial and other top officers at 300 privately held companies, revealed that 39 percent of private companies reported that an employee stole company funds, equipment, inventory or merchandise during the past few years. Nine percent of the companies surveyed reported that an employee stole funds from a client.

Nearly a third of the executives surveyed said employee theft has the potential to inflict financial or other serious damage to their firms.

The Association of Certified Fraud Examiners' (ACFE) 2002 Report to the Nation reported that the average organization loses 6 percent of its total annual revenues to fraud and abuse committed by its employees. Small businesses are the most vulnerable. According to the ACFE report, the average scheme in a small business causes \$127,500 in losses. The average scheme in the largest companies costs \$97,000. □

Small Business Concerns

Changed dramatically during last four years

Employee Theft

Management at 60 percent of companies anticipate such losses

Safer Cars

Feds to require safer window controls

Federal auto safety regulators announced that safer power window switches will be required in all vehicles by 2008.

The better switches, already on virtually all foreign vehicles and many U.S. cars and trucks, are more difficult to unintentionally activate. Consumer group Kids and Cars says at least 37 children have been killed when they pressed window switches while leaning out of vehicles. The National Highway Traffic Safety Administration, which issued the rule, and automakers say the numbers are lower.

The rule will ban so-called rocker or toggle switches – which make windows go up when they are depressed – if they are located on or near armrests. The safer switches are either pulled up to make windows go up or recessed so they can't be pushed inadvertently.

The rule is less stringent in timing and content than safety advocates and some Congress members wanted. For instance, it won't require technology to make windows reverse if they hit a body part.

Ford Motor says the company is migrating to safer switches in all vehicles. Some of the last holdouts, Ford Freestar minivans and F-series pickups, will get the new switches in 2006 and 2007 model years. General Motors has the safer switches on its full-size SUVs, pickups, minivans and several car models. Like Chrysler, it is phasing them in as vehicles are redesigned. □

9/11

Final insured loss was \$32.5 billion

The final insured loss from the terrorist destruction of the World Trade Center will be nearly \$8 billion less than the \$40.2 billion projected several years ago, according to the Insurance Information Institute (III). Robert Hartwig, executive vice president and chief economist at III, said his latest analysis would put the loss figure at \$32.5 billion.

Hartwig said the Sept. 11, 2001 catastrophe resulted in about 60,000 claims of every sort, including life. Of those, he said, the number of claims still in dispute would amount to a fraction of 1 percent. □



172 E. State St., Suite 201
Columbus, Ohio 43215-4321

Presorted Standard
US Postage
PAID
Columbus, OH
Permit No. 6036