



TCIA Accreditation May Pay for Itself

Savings on insurance the latest benefit

By David Rattigan

Randy Owen didn't enter the Tree Care Industry Association's Accreditation Program to save money on his insurance. But he did.

Not too long after his company became the first in the nation to achieve TCIA Accreditation, Owen, president of Owen Tree Service, Inc. in Attica, Mich., reviewed a potential change of policy with his insurance broker. He was thrilled with the result.

Owen says he's paying 26 percent less on his general liability and automobile insurance (plus an excess line) than his company did last year.

That's not an apples-to-apples comparison, says Karen Larson, who is not just Owen's agent but also the agent endorsed by both the Michigan Forestry & Park Association and the Michigan Green Industry Association. Some of the coverage options are different from Owen's previous policy, but even if the two policies were more closely matched, he'd have recognized savings of 10 to 17 percent, says Larson, whose Larson's Insurance Solutions Agency, Inc. has offices in both Coldwater and Livonia, Mich.

And, Owen Tree Service is not the only tree care company to see insurance savings that can be linked to TCIA Accreditation. Erich Schneider, president of Schneider Tree Care in Greenville, S.C., says his premium has decreased for four straight years, and gives some credit for recent improvement to the accreditation process.



When his insurer – which has expertise in logging but not commercial tree care – came to do an audit of his company, Schneider had the answers to questions about best business practices, safety programs and other risk reducers.

"I could answer all of those to better than his satisfaction, because of the accreditation process," says Schneider, whose insurance "modifier" incrementally went from a 1.0 five years ago to 0.79 this year. "It's gotten lower every year because we follow the right procedures, and because we set the bar higher."

The shift in premiums is not surprising to Michael J. Rook, vice president at Summit Insurance Services, Inc., of Las Vegas, Nev., with offices in East Granby, Conn. Summit's ArborMAX Insurance program specifically caters to tree and landscape companies. Rook has been underwriting the tree care industry for 13 years, and is a supporter of the movement to set measurable standards in the industry. Summit's ArborMAX program is the underwriter for Owen Tree Service's policy.

Other companies may also begin seeing substantial savings in their insurance premiums once they've gained TCIA Accreditation, say those in the tree care and insurance industries.

To gain TCIA Accreditation, a program that went into effect in 2004, a tree care company puts policies, procedures and best business practices in place that adhere to the top standards in the industry. In doing so, it not only makes for a better-run business, but also makes for a safer business, protecting its employees and protecting itself from unintended consequences, such as accidents at a job site or on the road.

While there is no automatic insurance credit at this time, some insurers see that day coming for TCIA Accredited companies. For now, a tree care company searching for the best deal on insurance might find that being accredited makes it a more attractive potential client.

Another supporter of credentialing programs is Bob Glass, underwriting and sales

Lack of Liability Coverage Can Be a Liability

By David Rattigan

When you're running a tree care company, how do you know whether you have the right insurance?

One safe way is to work with a broker or agent who is familiar with the industry, advises Michael J. Rook, vice president at Summit Insurance Services, Inc., of East Granby, Conn. Summit's ArborMAX Insurance program specifically caters to tree and landscape companies.

"Those are the only agents who know the coverages and exposures (that tree care companies) face every day," he says. "We're not a Joe Blow agency that doesn't know a tree care account from a manufacturing account. We're in tune with the industry, and know about coverages that another agent will have no clue about. (The agent) needs to know the (tree care) business."

The Hartford is another underwriter with a long history with the industry.

"Arborists should insist on working with agents and insurers who know the specific needs of their industry," says Bob Glass, underwriting and sales manager/specialty programs at The Hartford. "In particular they should look for a financially strong insurer that offers a good industry program, with a long track record insuring arborists. That insurer is much more likely to be there when you have a claim or want to renew your policy."

"An arborist insurance program should include business property and liability, but also industry-specific features such as workmanship error coverage, in case they cut down the wrong tree by mistake; herbicide and pesticide coverage, to protect the arborist if the chemicals damage plants, animals or people; and automobile pollution coverage (protection if accident ruptures a tank of pesticide and results in the pollution of sewers, waterways or groundwater.). A program that automatically covers additional insureds simplifies things, and provides 'peace of mind.'"

In general terms, a good policy will cover general liability, property damage to

a third party and workmanship error. Here's a quick explanation of each:

General liability: Covers bodily injury to others. If a branch falls and strikes a pedestrian walking past, you're covered. If the mailman trips over debris you left in his path, you're covered.

Property damage to a third party: If a tree limb falls on the neighbor's roof, pool or car, you're covered.

Workmanship error: You were certain that you were supposed to cut down the big oak tree, but you were wrong. When you cut down the wrong tree, or too many trees, or the neighbor's trees, you're covered when the aggrieved party sues.

According to Rook, some companies will buy from agents who "don't know the tree care business from a plumbing contractors' business. So they'll give you a general policy, with no frills and no special coverages," Rook says, such as coverage for a company that owns a crane. In those cases, down the road the business owner may find himself paying off a claim himself because the company has no coverage in that area.

"Some people don't have workmanship error (coverage)," Rook says. "They wouldn't know it until a claim came in, and they've got a lawsuit, and they learn the insurance company failed to cover the claim."

In a letter to the editor in the July 2005 issue of Tree Care Industry magazine, business consultant/author Scott Cullen of Greenwich, Conn., pointed out a potential consequence that may arise for consulting arborists, or those who refer to sales or business-building calls as "consulting" calls. That change in terminology may put a company into a whole new category.

"Tree care companies typically carry General Liability (GL) insurance to cover their operations," Cullen wrote. "Professional consultants typically also carry Professional Liability (PL) or Errors & Omissions (E&O) insurance to cover consulting opinions." A general liability policy may or may not include coverage that covers consulting opinions.

By adding consulting to the services a company offers, or by re-naming its sales calls or customer retention calls as "consulting," a company has created another activity – one that could open it up to other potential liabilities.

Cullen continues, "Say that a tree care company decides that it seems desirable to call its marketing visits 'consultations.' A company arborist visits a prospective or current customer just to 'consult.' The arborist suggests that the trees seem healthy and safe and that the company will check back next season. No work is proposed or performed. Soon afterward one of the customer's trees fails and the failure results in extensive property damage or serious bodily injury. The tree care company is sued. The company might be very surprised to learn that its GL policy does not cover either the value of the loss or the defense. The GL policy does not cover 'consulting.'"

For that reason, Cullen recommends that a company that consults should educate itself about what its insurance needs are. His advice for consulting arborists?

"Talk to your insurance agent, talk to other insurance agents, and it probably doesn't hurt to talk to a lawyer," he says.

Karen Larson, an agent and president of Larson's Insurance Solutions Agency in Michigan, says that there are other things a tree care company owner might consider when purchasing a policy. Some policies don't provide, or charge quite a bit extra for, blanket additional insurance to cover the entities for whom a tree care company does business – its clients. Some carriers won't cover consulting, an important but sometimes uninsured area. Some policies don't have an herbicide/pesticide endorsement, which protects the insured from the liability of unintended consequences.

How important are those coverages? Any may prove important to cover the needs of a tree care company.

"Every single guy out there wants it, every single guy needs it, but some guys don't know they don't have it," Larson says.

manager for specialty programs at The Hartford, a longtime insurer of the tree care industry. "They demonstrate commitment and help differentiate companies that have highly professional practices. They make it

easier for tree care companies to obtain insurance at an affordable price," says Glass.

As an underwriter, Rook says a company looks for clients who are in tune with

industry standards for education, safety and expertise. In gaining TCIA Accreditation, a company develops and reaches measurable standards in those areas, a strong argument to him that it will

be a good company to insure.

“At all times, we’re looking for applicants that we can say are a better-than-average risk,” Rook explains. “To be accredited, a company will have all of those things in place, plus a business plan. (All of those) make a tree care company look more appealing to an insurance company.”

In Owen’s case, he already would have benefited from what insurers see as a “great loss history” (based on the number of claims for a company of its size), and coupled that with the proof of safety practices and procedures at his 60-plus employee company that comes as part of the TCIA Accreditation process.

“He has already made the work environment safe for the public and his employees,” says Larson, who notes that the business could document that it had been surveyed and “meets the standards acceptable for TCIA.”

Owen has looked at TCIA Accreditation as a way of making his company more attractive to both potential employees and customers, by adopting best business practices and receiving an endorsement for its focus on safety. “Hopefully, it helps with the value of the company,” Owen says.

The lowering of his insurance premium is acknowledgement that the underwriter recognizes that he’s reduced his risk in several areas. “It’s helping their odds, is what it is,” Owen says.

Erich Schneider, a recent appointee to TCIA’s board of directors, is a big supporter of the program. “I’ll do everything I can to promote the Accreditation process,” he says. “I think it’s imperative for our industry to regulate ourselves beyond the status quo. We need to go forward with excellence and establish ourselves as a real industry, not the lowest common denominator. It has been presented to me that it was people who couldn’t do anything else who ended

up in tree care. They couldn’t be doctors, or lawyers, so they ended up in tree care. Accreditation will help to change that.”

Insurance can be a big part of a tree care company’s overall budget, because of the mobility and physical nature of the industry. With rates on the rise for the past five years or so, it’s not surprising that companies will seek to lessen the bite of their insurance bills.

“A lot of (insurance) companies have elected not to write insurance for tree and landscaping companies, and the ones that still insure them are pretty selective about who they insure,” Rook says. “If you choose to insure a bad business, there will be more claims, you’ll pay out more losses, and from an insurance standpoint it will be less profitable.

“Worker’s compensation is one thing,” Rook adds, “but you’re also talking about general liability insurance, automobile

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insurance, and property insurance. It is expensive, and companies that go through Accreditation and have safety programs in effect and controls in place to mitigate those losses will get better consideration and be afforded better rates and premiums than someone who doesn't have those things in place."

Depending on a wide range of variables (including the state, type of equipment, value of property, and more) a tree care company with a \$200,000 payroll and eight to 10 vehicles is likely to pay an annual premium of \$25,000 – excluding worker's compensation insurance, which may be the same amount or much more – for auto, property, general liability and equipment coverage, Rook says, making a broad estimate.

Dave Springer, president of the programs division for the National Insurance Programs (NIP) Group of Woodbridge, N.J., says that providing an automatic cred-

it for accredited tree care companies is something his firm is considering. The next step in that direction may come in the next few years, once underwriters are able to create a statistical link between TCIA Accreditation and a strong loss history.

"From what I can tell, if quantifiable documentation can show that an accredited organization performs better to some measure, absolutely we'd use that information in our underwriting," says Springer, a proponent of Accreditation for both its safety and business components.

Like many in the insurance business, Springer supports the move to Accreditation, because the emphasis on better business practices and safety will increase a tree care company's worth as a potential insurance client. "A link can definitely be seen" between good business and safety practices and reduced insurance risks, Springer says. "What I lack right

now is quantifiable information."

Mark Shipp, senior vice president of Ogilvy Hill Insurance, Santa Barbara, Calif., agrees that because Accreditation will help a business be better run, it makes it a better risk. "Those companies are ultimately your best accounts," says Shipp, former six-year member of the TCIA board of directors. "And those are the ones who'll receive favorable treatment by underwriters on a discretionary basis."

Within the industry, professional tree care companies are in competition not just with the weekend handyman with a chain saw, pickup truck and (likely) no insurance, but also with other professionals. Not surprisingly, some have been quicker than others to embrace TCIA Accreditation, which establishes programs and procedures that can require extra time and effort, such as pre-inspection of a job site, employee safety training, defensive driving courses, and reviewing an applicant's motor vehicle history.

"Whether you have three employees or 30 or 50, you should do the same things," says Rook.


Insurance is a cyclical business, says Springer, and at this time the commercial market is "soft." Competition is fierce, he says, driving down the price of policies 3 or 4 percent. While this might be a good time for a tree care company to review its insurance options, Springer recommends that a company with a good loss history is well-advised to compare policies and coverages every three years. "As a general practice, for any commercial exposure, a good agent should be able to do that for you," he says.

Rook advises tree care company presidents or managers to let their insurer know about the TCIA Accreditation when their policy comes up for renewal, and to educate their insurer about what it means to be accredited. "As an underwriter, we look at Accreditation as another piece of the puzzle," he says, "another positive variable."

David Rattigan is a freelance writer living in Peabody, Mass.



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