



Taking Care of Business

When Candi and Troy Hilton closed their remodeling company to move to another state, they wanted to make sure clients from their eight years in business were protected. Candi talked to their insurance agent and found out about discontinued-operation insurance. The Hiltons pay a premium to cover major structural issues on past projects for two years after their last day in business.

Their agent, Laura Swanson of State Farm in Overland Park, Kan., says the coverage is based on the liability coverage they chose and the type of exposure. The Hiltons chose coverage similar to that on their original contractor policy.

According to "Discontinued Operations," an article published in the International Risk Management Institute's *Construction Risk Management* manual, when a contractor retires or goes out of business, the potential for claims from completed operations remains. Many contractors, as well as their agents and brokers, assume that they will have coverage

for these claims under one of the policies they purchased during the time they were actively performing operations.

Unfortunately, according to the article, this is simply not true. While owners of a corporation are generally protected, owners of a sole proprietorship or partnership face personal liability for claims, even after the business is dissolved.

Some insurance companies only offer this coverage to past clients because they know the company history, but others offer stand-alone coverage to any contractor. Some agencies offer five-year coverage with a graduated payment where the first-year premium is similar to that for an operating company. The premium then decreases every year until the end of the coverage.

The discontinued-operation insurance doesn't cover smaller warranty issues. To cover those jobs, the Hiltons negotiated with a local remodeler. In exchange for the Hiltons' customer list, the company agreed to perform the Hiltons' warranty work for two years. —N.P.

Group Mentality

The MaxEquity buying group negotiates with manufacturers and retailers to provide rebates to remodelers based on their purchases. President Bob Sayre is a remodeler who decided to do something about the difficulty contractors have in competing with big box chains.

"Our purpose is to lower material costs for members so they can be more competitive with the new threat of installed sales," Sayre says.

The Massapequa, N.Y., company has more than 5,000 members across the nation. Members don't pay fees to join — they just agree to purchase from the group's vendors. Products include siding, windows, cabinetry, paint, lumber, and electrical supplies. The group also asks members to recommend smaller local vendors in their 60 markets.

Sayre and vice president Fred Greenwald negotiate the rebate percentage with the vendor — usually between 2% and 4%. The contractor buys from the vendor using their usual account number. MaxEquity submits member account numbers to the vendor and the vendor sends the group the total rebate on a quarterly basis. MaxEquity distributes 70% of the amount to members and uses the other 30% for administration and marketing. "More members mean greater and deeper rebates," Sayre says. For more information, visit www.maxequityinc.com. —N.P.



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