



The Bottom Line

USI Construction Practice Group
Excellence in Bonding & Insurance

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Contributing Staff

- Louis J. Spina
- Denese Thompson
- Anthony P. Carlucci, Jr., Guest Author

Atlynx and the Amerisc Companies

Join USI

Special Interest Articles:

Amerisc/Atlynx Acquired by USI Insurance Services

Benchmarking – How Does Your Company Measure Up?

IRS Defers 3% Withholding Regulation Another Year

NEW FEATURE
Visiting Professor
We will have a guest authors from local attorney or CPA firms contributing articles of interest from time to time.

Famous Quotes

The very essence of leadership is that you have to have a vision. It's got to be a vision you articulate clearly and forcefully on every occasion. You can't blow an uncertain trumpet.

- Theodore Hesburgh

It is with great pride that we inform you of our firms' acquisition by USI Insurance. This includes The Amerisc Corp., Atlynx Surety Brokers, LLC, and its principal affiliates.

Michael J. Sicard, USI's chairman, president and CEO, said: "Amerisc is a great addition and complement to our existing organization. By combining USI's Woodbury office and Amerisc's Garden City office under Phil Samuels and Frank Abbatiello's leadership (as Co-Presidents) we will become one of the largest middle-market insurance brokerage firms in Long Island. In addition, the Nanuet office provides for expansion into the growing area of New York's Rockland County, Hudson Valley, and Northern New Jersey. I am pleased to officially welcome Phil, Frank, and the rest of the exceptional insurance professionals from Amerisc to the USI team."

All former partners of Amerisc and Atlynx will provide a wealth of knowledge, experience,

and management skills to our Long Island and Rockland County operations.

Louis J. Spina was named Senior VP of Northeast Surety Operations. **Douglas W. Cypes** was named Senior VP and will continue to run our Rockland County office. **Stephen Grieco** was named Senior VP, Sales Leader. **Anthony Martillotti** was named Senior VP of Northeast Benefits Operations.

Denese Thompson has been named the Surety Manager of the office and will continue and expand her responsibilities.

Not only will there be no negative changes, but our clients will benefit from the additional resources and solutions that USI provides, such as insurance benchmarking and loss forecasting (see the article on Pages 3.

In the coming months, our Garden City office will combine with the Woodbury USI office at a location in Nassau

County to be determined. We look forward to combining our resources with those of the Construction Practice Group, run by **Dominick Scotto** as that group's President and **William Haas** as its CEO, operating out of USI's Briarcliff Manor office.

USI is a leading distributor of property and casualty insurance (bonds are included) and employee benefits products to businesses throughout the US. According to Business Insurance, USI is the eighth largest insurance broker in the US. USI is headquartered in Briarcliff Manor, NY and operates out of 74 offices in 22 states. USI is a portfolio company of Goldman Sachs Capital Partners, a private equity affiliate of Goldman Sachs & Co. The website is www.usi.biz.

Please call us with any questions about the additional resources that are now available.

Benchmarking - How Does Your Company Measure Up?

You might be surprised to learn the return others are realizing for gross profit margins, return on sales or return on equity, to name a few.

A common question that we receive is "How do I compare to my peers?" So, as a benefit to our clients, we input the information from your most recent Fiscal Year End Financial Statements and we compare certain ratios against those in your peer groups, either based on geography, revenue and/or type of construction work that you perform.

Liquidity, profitability and leverage are all compared. We then review the results with you and discuss ways that we can improve upon them, where appropriate. Just because you may be profitable does not mean that there are not opportunities for improvement. You might be surprised to learn the return others are

realizing for gross profit margins, return on sales or return on equity, to name a few. What do you do to improve your ratios? A lot of items must be considered on an individual bases. But, a common thread is that the balance sheet needs to grow through retaining profits in the business. Let us know if you think such a review is important to you.

Commit to Growing Your Business to Achieve Your Goals



As a stockholder, you may feel that the company's profits are yours. This is understandable, but it's important for the stockholder to step back and look at the big picture. Ask yourself the hard questions. What is best for my company? Do I plan on staying in business for the long haul? Do we have reserves established for that 'rainy day', that difficult job? Do I want my business to grow? With the price of everything increasing, not growing is actually shrinking. Yes, the business is yours – do with it what you want. But that does not mean that a surety company

has to continue to support your company.

There are acceptable reasons for taking distributions. Many businesses are established as Sub-Chapter "S" Corporations. When a company is set up as Sub-"S" Corp. the income is reported on the stockholders' personal tax returns and the individual stockholders pay taxes on that income. A distribution of the profits to pay these taxes is perfectly acceptable, if no expected. As a matter of fact, most bonding companies, when analyzing the firm's financial statements, will assume that money will be taken from the

company for this purpose and takes that into consideration in their analysis.

There are many other reasons for distributions. The key thing to remember, however, is that users of your financial information and grantors or credit will take a dim view of a company that drains the corporation of its earnings just as a matter of course. Be prepared to explain your company's distribution policy. And if you want your business to grow and to maximize your company's surety credit, it is important to retain the profits in the business.

Beyond the Contract Bond

New Requirements for Oil Burner Installers

In February 2011, NYC Department of Buildings announced new requirements for Oil Burner Equipment Installers.

Amendments to Rule 104-02 became effective on 2/3/2011 requiring General Liability Insurance for Oil Burner Equipment Installers in lieu of the Surety bond they were previously required to file.

Applicants renewing their licenses as of May 1, 2011 will be required to submit proof of General Liability (GL) Insurance in accordance to the department's insurance guidelines:

- All GL insurance policies must provide coverage of at least \$1,000,000 per occurrence.
- An Acond 25 Certificate of Liability Insurance will be acceptable proof.

For more information on the Department's insurance requirements, go to their website – www.nyc.gov/buildings and click on "Guidelines for Licensees- Keeping Insurance Current."

Visiting Professor

**Anthony P. Carlucci, Jr, of the firm of
 Welby, Brady & Greenblatt, LLP,
 11 Martine Ave., 15th Fl
 White Plains, NY 10606**

Think You're Covered? Guess Again

Frequently, contractors receive certificates of insurance from subcontractors which suggest that the contractor has been added as an additional insured under the subcontractor's insurance policies. However, typical insurance policies issued to a subcontractor requires that a written, signed agreement exist containing a provision that obligates the subcontractor to name the contractor as an additional insured under policies of insurance. There have been a number of recent cases which have upheld an insurance company's right to disclaim coverage to a purported additional insured even if a certificate of insurance has been

issued when there is no signed written agreement requiring the subcontractor to name the contractor as an additional insured under policies of insurance.

There is a case currently pending before the New York State Court of Appeals regarding this very issue which may provide some relief in those instances where a certificate of insurance is issued but there is no signed written agreement. Unfortunately, until this case is decided, the only accurate way to determine if a contractor is an additional insured under a subcontractor's policy is to obtain a full copy of the insurance policy, including all endorsements.

IRS Defers Three Percent Withholding Regulation For Another Year

Internal Revenue Service (IRS) has decided to defer for one year – from Jan. 1, 2012 to Jan. 1, 2013 – the withholding of 3 percent tax on all payments for goods and services made by the federal, state, and local governments with total expenditures of \$100 million or more. Three percent withholding applies to the total contract, not to the net revenue generated from a project.

Some analyst see the problem with the 3 percent withholding regulation for construction contractors is that the government will retain the funds necessary to complete a project, such as those needed to pay for subcontractors, materials and suppliers. In addition, the increased administrative costs to both large and small contractors as well as the government to comply with this withholding requirement will drive up the cost of construction, which in turn, will force smaller firms out of the public sector market. Groups like the Associated Builders and Contractors (ABC) continue to work with others to have this regulation fully repealed as they feel this is a "burdensome and unfair regulation."

Currently, there are three bills pending in Congress: H.R. 674, S. 89 and S.164 that would fully repeal Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005.

Long Island Offices

777 Zeckendorf Blvd
Garden City, NY 11530

PHONE: 516-745-7520
FAX: 516-745-7565

125 Froehlich Farm Blvd.
Woodbury, NY 11797

PHONE: 516-921-6700
FAX: 516-921-4595

Westchester Office

555 Pleasantville Road
Briarcliff Manor, NY 10510

PHONE: 914-769-2200
FAX: 914-747-6399

E-MAIL: denese@esuretybond.com

We're on the Web!

See us at:
www.atlynx.com
www.usi.biz



COMPANY NEWS FLASH

Join us in congratulating **Tara and Chuck Laverdiere** on the birth of their second child, Baby Girl

Giana Marie born, March 31, 2011 weighing in at 8lbs 6 oz. Everyone is doing well and we're looking forward to Tara's return to work in June.

Contractors For Kids (CFK) has several events coming up this summer

- **CFK -4th Annual 5K Run/Walk**- May 21 @ Three Village School District

CFK – 6TH Annual Golf Outing- June 13, 2011 @ Southward Ho Country Club

CFK – 6th Annual Summer Picnic at Southaven County Park, September 17, 2011

Letter From the Editorial Staff

This newsletter is designed with our readers in mind. All inquiries or suggestions regarding this or future newsletters are appreciated. Please send all inquiries to denese@esuretybond.com.

If you know anyone who you feel would like a copy of our newsletter, please let us know so that we can include them in our mailing list. Please let us know if you would like to receive this newsletter via email.

The Bottom Line is published quarterly by Atlynx Surety/USI Insurance Services as a service for our clients, contacts and friends, it is meant to provide advice and encourage its readers to keep up with all the latest developments. These articles are not intended to provide a complete discussion of the subjects presented.

**ATLYNX SURETY/USI INSURANCE
SERVICES LLC
777 ZECKENDORF BLVD
GARDEN CITY NY 11530**

