

Managing Risks For Your Business

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What Is Risk?

- Risk is a situation where an exposure to loss exists
- Risk is also defined as a condition in which there is the possibility of an adverse deviation from a desired outcome that is expected or hoped for

Source: Fundamentals of Risk and Insurance-9th Edition
Emmett J. Vaughan, Therese Vaughan

How Does Insurance Limit Risk?

- Insurance is a contract between the insurer (insurance company) and the insured (you) to cover potential losses
- Insurance protects you and your business from exposure to financial risks
- Insurance protects and makes whole your customers and clients
- Insurance protects and makes whole your employees, vendors, and contractors

What are the different types of insurance products, coverages, or endorsements?

- General Liability
- Product Liability
- Professional Liability
- Commercial Property
- Commercial auto
- Builder's Risk
- Peril specific coverage
- Commercial auto liability
- Business interruption
- Bond insurance



What are the different types of insurance policies, coverages, or endorsements? Part 2

- Workers Compensation
- Contingent liability
- Common carrier
- Terrorism coverage
- Flood insurance
- Umbrella coverage
- Business continuation
- Key Person life and health



General Liability

- Provides coverage for liability exposure of property owned or occupied (leased)
- Provides coverage for incidents relating to business operations (on-site and off-site)
- Contingent coverage provides protection for the acts of others (independent contractors, vendors, etc)

Product Liability Coverage

- Provides protection for damages resulting from faulty products
- Protects sellers as well as manufacturers from liability losses



Commercial Property

- Similar to homeowners, it provides coverage for damages to the structure as well as the contents
- Provides some liability coverage for incidents at the location



Builder's Risk Insurance

- Coverage protects interest of building owner, contractor, or subcontractors
- Coverage based on the completed value
- Coverage continues during construction and automatically terminates when structure is completed and occupied



Commercial Auto Insurance

- Provides liability protection for vehicles used in the business
- Provides coverage for damages to business owned vehicles and the vehicles of others
- Provides coverage for employees driving business vehicles



Common Carrier Insurance

- Liability coverage for those entities that transport goods and products for others
- Entities include bus companies, trucking companies, airlines, etc.



Professional Liability Insurance

- Provides coverage for the actions of professional individuals performing a task (lawyers, doctors, accountants, etc.)
- Protects those serving in business organizations as officers and directors
- Provides coverage for errors and omissions



Flood Insurance

- Congress created the National Flood Insurance Program (NFIP) to provide coverage for flood damages
- Administered by the Federal Emergency Management Agency (FEMA)
- Separate policy usually purchased in conjunction with property insurance
- Provides protection not covered in property insurance policies



Home-based Business

- Business owners would need to purchase a business policy
- Homeowners policy won't cover business equipment, inventory, or supplies
- Homeowners policy won't cover liabilities resulting from the home business
- Homeowners policy won't cover that portion of the house used for business



Workers Compensation

- State mandated coverage if you have employees
- Provides coverage for injured workers
- Covers injured workers as well as employer liability
- Benefits are determined by the state and there are typically no policy limits
- Some contracts may require that you have workers compensation insurance on yourself



Business Packages

- Commonly referred to as Businessowners Policy (BOP)
- Contents
 - General liability
 - Property
 - Business vehicle
 - Workers compensation
 - Electronic data
- Some packages are designed for specific industries (service, retail, construction, home based)

Business Continuation Coverage and Key Person Insurance

- Loss of key personnel could be devastating to a business
- Life & disability insurance for key persons
- Policy provides coverage for losses related to the death or incapacity of key personnel
- Business is usually the owner & beneficiary of the policy



Umbrella Coverage

- Written in conjunction with other liability policies
- Provides liability coverage over and beyond primary policy limits
- Provides protection for liabilities not covered by primary policies
- For example,



Bond Insurance

● Types of Bonds

- **Bid Bonds**: Bond required of a contractor submitting the lowest bid on a project. If the contractor then refuses to undertake the project, the bid bond assures that the developer will be paid the difference between the lowest bid and next lowest bid.
- **Surety Bonds**: Contract by which one party agrees to make good the default or debt of another. Actually, three parties are involved: the *principal*, who has primary responsibility to perform the obligation (after which the bond becomes void); the *surety*, the individual with the secondary responsibility of performing the obligation if the principal fails to perform.

Bond Insurance-2

- **Performance Bond**: Bond that guarantees the performance of a contract.
- **Completion Bond**: Provides coverage to mortgagee (lender) that project will be completed by the mortgagor (borrower).
- **Contract Bond**: Similar to performance bond.
- **Fidelity Bond**: Provides protection for the dishonesty of employees.
- **Payment Bond**: Bond guaranteeing that a contractor will pay fees owed for labor and materials.

Dealing With Your Agent

- Be sure the agent fully understands your business
- Invite your agent to see your operation (on-site and off-site)
- Read your policy/policies
- Ask your agent questions about the policy and potential exposure



Q & A

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