# Insurance assurance

How to ensure you are properly protected when building your insurance program **Interviewed by Heather Tunstall**

Insurance is a vital part of running a business today for many reasons. Property and liability losses, as well as the defense of lawsuits, may be tendered to insurance companies to avoid significant financial losses.

"It's important to know what types of questions to ask your broker and how to properly manage your insurance information to minimize harmful losses," says Dean A. Pappas, partner at Ropers Majeski Kohn & Bentley PC.

*Smart Business* spoke with Pappas about best practices for evaluating insurance needs and how to be ready if an event occurs.

**What should business owners consider when planning a business insurance program?**

The first fundamental step in evaluating insurance needs is the assessment of potential losses that can be insured. You should determine what you can't afford to lose as a company or, for instance, how your business would suffer significantly from any suspension of its operations. You're going to need to work with your insurance broker to figure this out. For example, you can ask the insurance broker for a checklist to help determine what kinds of risks you may have and which kinds of risks may be insurable. At some point you will want to get actual copies of the policies and not just rely on advertising materials to know what is covered. When you receive the policies, have them reviewed by somebody knowledgeable regarding what the policies really say and mean.

**What types of insurance should companies consider?**

There are two basic areas of coverage. First, there's property insurance or 'first-party' coverage — you may hear that term because it has to do with your own losses. Secondly, you also need liability insurance to insure against what they call 'third-party risks.' Liability insurance applies when somebody else — such as a customer, competitor or former employee — suffers a loss and then sues you or demands payment from you. When creating or renewing your program, it's important to evaluate not only property insurance risks but also liability insurance risks.

**Dean A. Pappas**
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**What else should a business owner consider when planning an insurance program?**

One thing you need to assess is how much risk you can accept on your own, how big of a deductible you can assume and what limits you need. When examining limits, consider factors such as whether the cost of attorneys being paid to defend you counts against your limit in the liability insurance setting.

Also, when you see or learn about exclusions in a policy, that may be an indication there's another insurance product available to fill the gap created by that exclusion. For example, if a business provides services, there probably will be an exclusion in its general liability policy that says it doesn't apply to harm arising from providing professional services. Therefore, you can buy professional liability insurance that covers that gap. Ask questions. Ask to read the policies or have someone read them for you.

**What happens in the event of a loss?**

You must notify the right insurance company of the loss. Therefore, before any loss occurs, you should create or set up an insurance library or insurance file and keep all of your policies, not just the current policies but every policy you ever had, in that library. Different kinds of policies apply differently. Some of them apply based on when an injury occurs. Some of them apply based on when the wrongful act occurred. Some of them apply based on when the lawsuit is filed. So you never know — it may be a policy that's 10 years old that you need to pull out or you need to be aware of in order to evaluate what an insurance company might cover.

It is also a good idea to prepare a list of the notice requirements in each of the policies. Then you will be prepared to notify the right insurance company in the right way when a loss occurs or if you get sued.

**What should businesses look for when identifying insurance risks?**

Identify wheether you own or lease a building, and what kind of interest you have in that. Business interruption, such as a fire, and the resuling loss of income pose a large potential loss on the property insurance side. If your business relies on other businesses for supplies or supplying component parts, you can get insurance that is based upon interruption of that flow of parts or services. It would be business interruption due to damage to property of others — suppliers and distributors, for example. Working with a broker, there's a long list of additional property insurance coverages you should explore that include theft coverages, such as employee theft or employee dishonesty.

For many years, the insurance industry and people in general were very concerned about tangible property, but now there's a whole new area of property insurance and liability insurance risks called cyber risks. For example, most companies can't afford to lose all of their software. The hardware was always traditionally covered, but the software, since it was intangible, was not. Consequently, a business owner may need to get a new separate kind of coverage that applies to the loss of electronic data or software, or business interruption due to the loss of electronic data or software. It's a whole different area you need to explore given the fact that many businesses these days are wholly dependent on intangibles. <<

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