

Protection trumps cost

Now is not the time to drop or lower your business liability insurance

INTERVIEWED BY ROGER VOZAR

The economy is still recovering from the recent recession and businesses continue to experience budget pressures. Companies often react by cutting back, which can be a wise decision in some instances. But one area that should never be impacted by budget cuts is insurance coverage. "In fact, when budgets are tight, having proper insurance coverage is more important than ever," says Peter Bern, CEO of Leverity Insurance Group.

"When business owners want to lower limits or eliminate coverage completely, we explain to them that it exposes their company to the risk of greater financial hardship when they can least afford it. If you don't think you can afford insurance coverage now, then how could you possibly sustain the financial impact of a claim or loss?"

Smart Business spoke with Bern about ways to control costs without cutting coverage, as well as other risks businesses might be exposed to that would warrant additional insurance.

What can businesses do to protect their bottom line when it comes to insurance and risk management?

Most businesses strive to do four things: save money; boost productivity; increase profits; and employ happy, healthy individuals. These can be accomplished by establishing safety programs and other risk management strategies that can reduce the probability of injury and downtime. Safe environments also improve employee morale, which positively impacts productivity and service. And industry studies report that there is a direct correlation between safety and a company's profit.

Instead of lowering or eliminating coverage to save money on insurance

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premiums, business owners should be strategic with deductible structures, self-insurance retentions and leveraging their insurance to be sure that they are receiving all the potential credits. Most importantly, get a comprehensive second opinion from an insurance professional who will audit your risk management and insurance program for deficiencies, and be creative in finding ways to save money while providing maximum benefit.

What are the risks of purchasing insurance based solely on a budget?

Not only does lowering insurance coverages expose your company to greater risk from a claim, it can also expose your company to possible lawsuits. For instance, if you lower and raise your coverage level annually based only on price and then have a claim for which you aren't fully covered, shareholders or claimants could sue you for negligence because you did not have a strategic risk management and insurance program in place. Employers should develop a risk management plan based on what their company needs with respect to all lines of coverage. It's important to follow it, regardless of budget.

Why should business owners consider adding insurance in a down economy?

There are many business owners who

expose their company and themselves to risk because they are neglecting management liability insurance. In a tough economy, employment practices liability and director and officer's insurance become even more vital. During a workforce reduction, there is the potential that someone will sue for discrimination, wrongful termination or other reasons. If there is an alleged breach of duty, perceived mismanagement of business operations or even potential violation of state and federal laws, the decision makers of the business can be held liable.

Another area that's often overlooked is cyber and privacy liability. Policies can insure businesses for notification expenses and lawsuits that result from breaches of database information. Hackers are constantly attacking networks in an attempt to disrupt operations and/or steal credit card and personal client information; it's a major exposure that many businesses have not considered. State and federal laws require you to notify everyone in your database if there's a breach of client personal information. That expense could cost a fortune and be catastrophic to your business. Many companies think these types of coverage are part of their standard business insurance policy, but in reality they are excluded. Unfortunately, they may not realize it until they have a loss. ●