

Key Risk Management Concepts for Businesses

Owning or operating a business is an ongoing journey. Part of that journey is making sure you're prepared for the unexpected. One of the key ways to protect your business is understanding and choosing the right kind of liability insurance. Think of it as a safety net that keeps your business stable and secure, even when things go wrong.

General Liability Insurance: This is the basic armor for your business. It protects you if someone is injured or their property is damaged because of your business activities. For example, if a customer slips and falls at your store or if you accidentally damage a client's property while working, general liability insurance is there to cover the costs. It's a must-have for most businesses and is usually easy to get, especially for low-risk operations.

Professional Liability Insurance: Also known as Errors and Omissions (E&O) insurance, this is your safeguard if you're offering professional services or advice. It's crucial for businesses like consulting firms, IT service providers, or anyone who provides a professional service. If a client claims that your service caused them a loss or didn't meet their expectations, professional liability insurance helps cover the legal fees and any damages you may need to pay.

Independent Contractors: When you're growing your team, you might work with Independent Contractors or Direct Employees. It's important to manage risks here, too. Make sure that any contractors you use have their own liability insurance and that they add your business as an additional insured on their policy. This means that if something goes wrong while they're working for you, their insurance might cover the claim. Also, having a solid contract in place that outlines responsibilities is crucial to protect your business.

Why be Cautious about "Claims-Made" Policies: Lastly, understanding the difference between Claims-Made and Occurrence Policies is key. Most professional liability insurance policies are "claims-made," meaning they only cover claims filed during the policy period. General liability policies are often "occurrence" policies, meaning they cover incidents that happen during the policy period, even if the claim is filed later. Both have their advantages, and the choice depends on your specific business needs.

Check with an Expert: It's always a good idea to consult with a risk management expert or insurance advisor to make sure you're choosing the best coverage for your unique business. They can help you understand the fine print and ensure that you're not just covered, but also confident as you embark on your business journey.

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