

Reviewing Your Business Insurance

Program: Not Every Business Does It, but Every Business Should

By MICHAEL R. KELLEY, ESQ.

An effective insurance program is vital for every business. But how much coverage do you need? Are there holes in your coverage? How can you save money on insurance premiums?

An insurance audit or review can answer your insurance questions.

What Is an Insurance Audit or Review?

An insurance review or audit is an examination of your business's liabilities and insurance policies performed by a professional who is knowledgeable with regard to both.

Members of McNees Wallace & Nurick LLC's Insurance Recovery and Counseling Group regularly perform insurance reviews and audits. We break the process down into two different scopes of review:

1. An insurance audit involves a physical examination of your business facilities and operations, along with a review of your risks and insurance policies.
2. An insurance review is limited to a paper review of your risks and business insurance coverages.

Who Performs an Insurance Review/Audit?

There are three types of professionals who perform insurance audits or reviews:

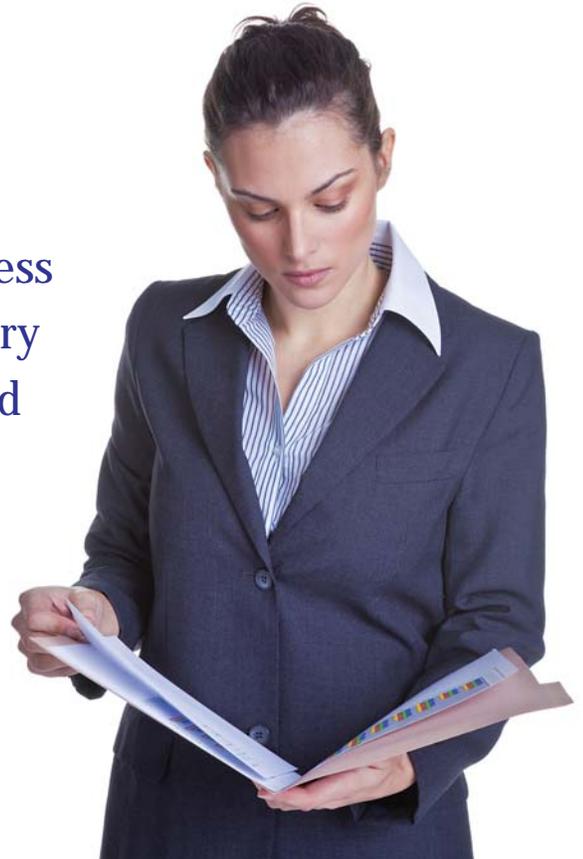
Insurance Broker. The advantage of having your broker perform the audit is that she is likely familiar with your business, knowledgeable about insurance programs available in the marketplace, and is usually willing to perform the review or audit for free or a nominal amount.

The disadvantage is that a broker earns her income through selling insurance coverages, so there is the incentive to sell you additional coverages. Your broker also may not advise you about how much coverage to buy because that is outside of the scope of her expertise.

Insurance Consultant. An insurance consultant is usually a person with a background in the insurance industry, such as a former broker or insurance-company representative, who will perform the audit for a fee.

The advantages of the consultant are that she has significant insurance knowledge and is not looking to sell you more insurance.

The disadvantages are that she is likely not as knowledgeable about your business as your current broker, she charges a fee, and she may lack the legal background necessary to advise you about liabilities that you face from claims and lawsuits.



Insurance-Coverage Lawyer. The insurance-coverage lawyer who performs an audit or review has a professional duty to look out for your interests, is not interested in selling you additional insurance, and should have firsthand legal experience in dealing with the risks that businesses face.

A disadvantage in hiring the insurance-coverage lawyer is cost. Also, because the lawyer is not in the business of selling insurance, she may not be as knowledgeable about current insurance products available in the marketplace.

How Does the Insurance Audit/Review Work?

In our practice, an insurance audit/review starts with an initial meeting or phone conference to discuss your business and your

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insurance or risk-management concerns.

We then send you an insurance audit/review checklist, which asks you to provide as much of the following information as possible: a summary description of your business organization, all insurance policies and endorsements that we are to review, all policy declarations in effect, any summaries of coverage prepared by your insurance company or broker, and your company's claims history for the past five years.

If you request an insurance audit, we physically meet with you at your facility. The purpose of this is to better understand your potential risks and liabilities.

After reviewing your information, a written memorandum is prepared summarizing all of your insurance coverages and the liabilities that you face, making recommendations to close any loopholes in your coverage and save money on insurance premiums, and advising you as to the scope and amount of insurance coverage you should have.

What Are Some Hot Insurance Coverages and Liabilities?

The overwhelming majority of business enterprises have coverage for commercial liability, commercial property, and workers' compensation. But what are some hot issues and coverages?

Employment Practices Liability (EPL). This coverage protects against claims by prospective, current, and former employees who allege some wrongful conduct in the employment relationship. Employment

claims are a fast-growing area of litigation. More than 60 percent of businesses now have EPL coverage.

Cyber Liability. This coverage protects you from hackers who gain unauthorized access to your electronic or non-electronic data containing information on your customers, such as credit-card numbers and Social Security numbers.

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Directors & Officers Liability (D&O). If your business has a board of directors or you sit on the board of directors of a profit or not-for-profit entity, your decision making could be challenged by a third party through litigation. D&O covers this liability.

Telecommuting. If your business allows personnel to work remotely from their homes, there are a number of insurance

issues raised by this arrangement. Are these personnel considered employees or independent contractors? The difference could determine whether they are covered by your workers' compensation policy.

Are there liability concerns within their residence? Have you discussed with your broker or company a potential liability claim arising from an employee's residence? Your liability insurer may not consider your employee's home covered under its commercial liability policy.

These are just a few of the insurance coverage and risk issues facing businesses.

But keep in mind that every business is unique. Your business may have specific risks and coverage concerns that are not necessarily shared by most business entities. An insurance audit or review is particularly helpful in addressing these specialized concerns.

How Often Should I Have an Insurance Audit or Review?

Most businesses should have an insurance review or audit conducted every two to three years. If your business has experienced particular growth in revenues, locations, or employees, an insurance audit or review should be conducted more often. 

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