

Business Risk Management

Taking steps to minimize the likelihood of things going wrong

Managing risk is an essential part of every business, large or small. Theft, fire, vandalism, riots: A host of perils could come your way and you need to be ready for them. You can help control the cost of your insurance premiums and improve your business operations by adopting risk management strategies.

STEP ONE: GET A PROACTIVE INSURANCE REPRESENTATIVE

The best first step is to shop for a commercial insurance agent or broker who knows your type of business and is willing to invest the time and effort to understand your specific needs. A proactive insurance agent or broker is a valuable asset for your company.

STEP TWO: PRIORITIES TO CONSIDER

When planning your insurance coverage, an important step to take – with the help of your insurance representative – is to identify those potential losses that could critically threaten your business, and insure against them. Ask questions about everything you think could happen to your business and how would the insurance coverage respond.

STEP THREE: A PARTNERSHIP FOR PREVENTION

You can help protect your property from loss and help reduce insurance costs by taking a few positive steps on your own to discourage burglars, shoplifters, vandals, arsonists and others. Good inventory control and meticulous record keeping may help take temptation away from customers, employees and suppliers. Investing in loss prevention often results in lower insurance premiums.

WHY MANAGE RISK?

Regardless of the type or size of your business, risk management strategies are essential because businesses are under increased risk exposures:

- Organizations as well as individuals who give professional advice are held to very high standards
- People are more aware of the level of service that they can expect, and the recourse they can take if they have been wronged
- Corporate and non-profit organizations are often being held directly liable for the actions of their employees, volunteers and directors and officers
- Frivolous and vexatious lawsuits can result in costly legal expenses

The physical location where you conduct business can be critical to your organization's success. When insuring your commercial property, there are many opportunities to identify and reduce risks as well as control the cost of insurance.

A SYSTEMATIC APPROACH

To manage risk, follow these steps:

- Identify and analyze potential loss exposures
- Examine the feasibility of alternative risk management techniques
- Select the best risk management technique
- Implement the technique
- Monitor the program

EXAMPLES OF LOSS EXPOSURES

While every industry is different, potential losses to consider include:

- Physical property, such as buildings, stock and equipment,
- Valuable information that is critical to business operations,
- Reductions in the value of your products or services after a loss,
- Costs to repair or replace damaged property or equipment,
- The impact a loss could have on your ability to conduct business,
- Loss of revenue in the event of a business interruption,
- Extra business-related expenses, and,
- Direct and indirect losses

BOTTOM-LINE BENEFITS OF MANAGING RISK

Risk management provides a clear and structured approach to identifying risks. Understanding all known and anticipated risks allows an organization to measure and prioritize them as well as take the appropriate actions to reduce the potential for losses. An organization with an effective risk management plan in place can also:

- Save resources such as time, assets, income, property and people,
- Protect its reputation and public image,
- Prevent or reduce legal liability and increase the stability of operations,
- Protect people from harm,
- Protect the environment,
- Enhance its ability to prepare for circumstances that could interrupt business,
- Reduce liabilities,
- Assist in clearly defining insurance needs, and,
- Have business continuity plans in place for the most likely loss scenarios.

While it's not possible to eliminate all potential risks, a risk management plan demonstrates your organization's commitment to loss reduction and prevention. Having a documented, risk management program can help make your organization a better risk to insure and even reduce your premium. Talk to your insurance representative for specific advice about coverage and risk management best practices that suit your industry.