

Risk Management 101 for Small and Medium Enterprises



Managing risks associated with both commercial property and liability insurance is crucial for small and medium enterprises (SMEs) in Canada. Here are some risk management tips to help SMEs effectively manage the insurance they purchase:

1 Risk Assessment:

Regularly assess your organization's risks and vulnerabilities and consult a risk management professional to identify potential areas of exposure.

2 Insurance Review:

Periodically review your insurance policies to ensure they align with your organization's current needs and evolving risks. Consult with your insurance representative to determine if any newly available coverages can better address your organization's risk.

3 Property insurance:

Consider which of your properties need insurance coverage and which of your properties you could afford to replace yourself. Ensure that the insurance you purchase satisfies your loan or mortgage contracts.

4 Property valuation:

Regularly assess the current replacement costs of your property to ensure your insurance coverage is adequate.

5 Document property assets:

Maintain a detailed inventory of your business assets and their replacement value, as this information can be crucial when filing an insurance claim.

6 Business interruption coverage:

Include business interruption coverage in your insurance coverages to compensate for lost income and ongoing expenses if your business is forced to temporarily close due to an insured event. Consult an insurance professional to help you determine adequate limits of insurance.

- 7 General liability insurance:**

Ensure your organization has proper general liability insurance, which may include host liquor liability, employee liability, volunteer liability and tenant's legal liability, depending on your business.
- 8 Workers' compensation:**

Comply with applicable workers' compensation requirements in your province to provide coverage for workplace injuries and illnesses. If your workers travel, consider coordinating out-of-province workers' compensation benefits coverage.
- 9 Cyber insurance:**

In this digital age, consider purchasing cyber insurance to protect against financial losses due to data breaches and other cyber threats that could compromise intellectual property, client lists and other sensitive information.
- 10 Broker selection:**

Work with an experienced commercial insurance brokerage that specializes in your business type to best position your SME for customized coverage at competitive rates.
- 11 Multiple quotes:**

Obtain quotes from multiple insurance providers to compare coverage options and pricing. This will help ensure you get the best value for your premiums.
- 12 Bundle policies:**

Consider bundling various insurance policies, such as liability and property insurance, with the same provider to secure discounts.
- 13 Deductibles:**

Choose a higher deductible in exchange for a lower premium cost, but ensure you have the financial resources to cover the deductible if you make a claim.
- 14 Alternative insurance options:**

Explore alternative risk management options, such as self-insurance, captive insurance or risk retention groups, if they align with applicable legislation and regulations, your business needs and financial capabilities. Consult with a risk management professional for independent advice.
- 15 Risk management programs:**

Implement risk management programs and safety measures to reduce the likelihood of incidents and insurance claims.
- 16 Regular inspections:**

Regularly inspect your business property to identify and address potential hazards or maintenance issues. Promptly address issues such as uneven walkways, faulty wiring and slippery surfaces.
- 17 Security measures:**

Implement security measures such as alarms, surveillance cameras and access control systems to deter theft and vandalism.
- 18 Fire safety:**

Install fire detection and suppression systems, and ensure all employees are trained in fire safety protocols.
- 19 Review contracts:**

Carefully review and negotiate contracts with vendors, partners and service providers, including hold harmless and indemnification clauses, to limit your organization's liability.
- 20 Legal compliance:**

Stay informed about legal requirements and regulatory changes that may affect your insurance needs, such as changes in employment laws, privacy requirements or other legislation specific to your industry.

- 21 Emergency preparedness:**
Develop and practise an emergency response plan that includes evacuation procedures and provides contact information for first responders.
- 22 Employee training:**
Educate staff and volunteers on risk management, safety protocols and emergency procedures to minimize potential liabilities.
- 23 Claims management:**
Establish a clear procedure for promptly reporting and managing insurance claims to ensure a timely resolution.
- 24 Financial reserves:**
Maintain a reserve fund to cover unexpected insurance costs or deductibles so your organization can weather financial challenges.

- 25 Community engagement:**
Engage with your community and supporters to build a safety net of goodwill and support in case of adverse events.
- 26 Regular updates:**
Keep your insurance representative informed of any changes in your organization's activities, assets or structure that may affect your insurance needs. Failure to do so can jeopardize insurance coverage.
- 27 Professional advice:**
Seek insurance and risk advice from professionals (insurance representative and risk managers) experienced in your sector to ensure that your insurance and risk management strategies are sound, sustainable and compliant with your industry's best practices.

Effective property and insurance risk management can safeguard your organization from financial setbacks and disruptions. Striking a balance between comprehensive coverage and cost-effectiveness is essential to ensuring that your business remains resilient in the face of unexpected events. Your best asset is your insurance representative, who can provide helpful risk management advice to ensure your business is protected.

We are here to help.

IBC has insurance professionals to answer questions and help navigate the insurance marketplace. Contact IBC's Business Insurance Helpline at **1-844-2ask-IBC** (1-844-227-5422) if you need help obtaining affordable insurance coverage.