



RiskSmart Tips

A regular update on risks
and insurance trends

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Q&A

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We've all heard that there's no such thing as a dumb question. That cliché may help some folks feel good, but I've heard a lot of ignorant questions and dozens of dumb answers.

With risk and insurance, I see this all the time. It's a multi-faceted problem: 1) the subject matter is very complex, 2) you don't know what you don't know, so it's hard to ask the right questions, and 3) the other person, perhaps wanting to 'simplify' or not look stupid, says just about anything – usually with jargon!

Most clients, out of ignorance, start with very general questions: "What do I need?" and "How much?" Unfortunately they can't tell if the answers they get are legitimate. And the most critical answers – about coverage details, sub-limits, values, exclusions and conditions – often never emerge, for all the reasons above.

Some typical Q&A ~

Client: I'm starting a new 401k plan for employees and the administrator wants an insurance certificate. Broker: We'll buy you an ERISA bond. RiskSmart: You've already got Crime insurance that covers ERISA so you don't need anything new.

Web designer: Here's your new site with great pictures. Client: That's great, thanks. RiskSmart: Let's check the ownership and copyrights on those pictures. (Oops! The owner wanted royalties and the site had to be re-designed.)

RiskSmart: I need this special coverage in my Errors & Omissions policy. Broker: Don't worry it's included. Later, under pressure for confirmation, the Insurer says: No way; we've never offered that.

Broker email: Here's your renewal – same as last year – and our invoice (apparently no questions were raised beforehand). Client: Thanks. RiskSmart: Whoa! The local manager just advised he has \$150,000 in inventory and tenants improvements – not the \$50,000 on the policy. (Oops!)

Avoid the – oops! – banana peel ~

- Get out in front of your insurance renewals: schedule a broker meeting at least 90 days in advance to avoid the last-minute shuffle.
- Conduct a serious business meeting: go through all your coverages in detail; ask what endorsements mean and take notes; ask what coverages you don't have that might be important; don't accept jargon.
- Request services that can help you avoid losses – like free safety and loss control inspections available from your insurers. Ask your broker to be there too - to help with anything you don't understand or inappropriate recommendations from the company.
- Talk with other business colleagues, attorneys and trusted advisors about their insurance coverage and what legal trends and other issues might be on the horizon. New insurance exclusions and subtle wrinkles are severe and scary.

Paying attention to these basics can be critical to your survival in these complex and litigious times. Taking charge can help you save a ton of time, avoid huge insurance hassle and even lower your costs. If you don't focus on this, who will?