

An Insurance Primer for Business Continuity Professionals

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Insurance. Just saying the word can make many go comatose. However, as a business continuity professional, adding knowledge of insurance to your toolbox will make you that much more effective. Creating a resilient organization is a combination of purchasing and maintaining appropriate business insurance products, and developing and maintaining a comprehensive business continuity plan. You know all about the BCP, so let's talk about the insurance-side of things.

There are a wide variety of commercial insurance products out there to protect your business. The most common of these are property, liability and insurance products that provide coverage for your workforce. Property insurance generally covers damages to your commercial property (either real or personal) and liability insurance covers damages to third parties. Insurance products that cover your workforce range from worker's compensation to personnel insurance. Any comprehensive business continuity plan will include reference to each of the applicable insurance products that your company holds. It is greatly beneficial to your organization if, as a business continuity professional, you understand the basics of each of these plans.

Property Insurance

The term "property" means a wide variety of things – buildings, personal property, motor vehicles, aircraft and watercraft. Generally speaking, property insurance covers losses and damages to real and personal property. There are specialized insurance products that are also available to your organization, such as:

- Debris Removal Insurance which covers the cost of removing debris after a fire, flood etc.;
- Mechanical Breakdown Coverage which will reimburse you for property damage and business interruption losses due to mechanical failures, such as damage to your computer system following a boiler explosion;
- Business Auto Insurance which covers autos owned by the organization and pays costs associated with physical injury or property damage;
- Builder's Risk Insurance which covers buildings as they are being constructed;
- Food Contamination which is an endorsement that covers most costs associated with sale of food that causes food poisoning or disease, including cost of additional advertising to restore reputation;

- Inland Marine Insurance which covers property in transit and other people's property on your premises; and,
- Business Income or Business Interruption Insurance which covers lost income and expenses resulting from property damage or loss.

Liability Insurance

If someone sues your company for personal injuries or property damage, the cost of defending and resolving the suit would be covered by your liability insurance policy. There are variety of liability insurance products out there that vary based on what type of business you run. A general liability policy covers common risks, including customer injuries on your premises. Additional types of liability insurance include:

- Errors and Omissions (E&O) Insurance which covers inadvertent mistakes or failures, that are not merely poor judgment or intentional acts;
- Directors' and Officers' Liability Insurance which covers the costs of lawsuits against directors and officers;
- Employment Practices Liability Insurance which covers economic injury to employees due to wrongful termination, sexual harassment, wrongful failure to hire or promote, wrongful demotion, illegal discrimination, or retaliation;
- Employee Benefits Liability Insurance which covers financial injury to employees resulting from negligent administration of employee benefit plans;
- Malpractice or Professional Liability Insurance which covers injuries to third parties when a professional's conduct falls below the profession's standard of care; and,
- Terrorism Liability Insurance which covers for claims alleging failure to take adequate precautions for terrorist attacks.

Workforce Related Insurances

If your organization has more than one employee, it is important to take a look at some of the workforce related insurance products on the market. One of the most important of those is workers compensation.

Employers have a legal responsibility to create a safe workplace for their employees. However, accidents do happen. Workers compensation protects your organization from lawsuits resulting from accidents at the workplace and provides medical care and compensation for lost income to employees hurt in workplace accidents. Workers compensation provides payments to injured workers, without regard to who was at fault in the accident, for time lost from work and for medical and rehabilitation services, as well as death benefits to surviving spouses and dependents. Each state has different laws governing these benefits.

Additional workplace insurance products include:

- Key Person Insurance which is a life insurance product that gets paid into the business and it can also be used for the expenses involved in replacing a key person in your organization.
- Infectious Disease riders are available for both property and workers compensation policies and might be useful in the event of disease-related business interruptions; and
- Disability Insurance coverage can be a useful benefit for your employees, as it replaces lost income for an employee if they are unable to work due to illness or injury.

In this article, I have discussed some of the insurance products that have real relevance to business continuity professionals. There are many more types of insurance, but this is a good primer to get you started. Do yourself, and your organization a favor - become familiar with terminologies, coverages, and underwriting terms. Adding knowledge of insurance to your business continuity toolbox will help you manage risks and critical incidents within your organization much more effectively.

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