

THE SMART APPROACH TO PROTECTING YOUR BUSINESS



Managing Risk is Good Business

Managing your business risk exposure is more important than ever. Even a minor incident can result in expensive legal action. Lax hiring practices can lead to significant Workers' Compensation or General Liability claims. As well, equipment breakdown due to small repair jobs left undone can snowball into major property expenses. While loss of equipment or computer data due to a fire can stop your production or even shut down your business.

With so much at stake, doesn't it make sense to implement a comprehensive risk management program for your business? An effective risk management program can help you understand and prepare for the risks you may face *before* losses occur. And that preparation can mean the difference between a profitable or unprofitable business.

Why Manage Risk?

You want to protect yourself and your business against unforeseen hazards and the routine risks your workers may face every day. An hour of risk management effort may produce a greater return on investment than an hour pursuing new business. That's because you have a better chance at controlling incidents that may arise from employees, materials, operations, facilities, processes, and vehicles. While pursuing new business requires a great deal of effort and factors that you can't easily control. And good risk management doesn't have to be expensive or time-consuming. You can take simple steps right now to protect your business. Use this handy flyer provided in part by the Small Business Administration and The Hartford, it offers information that can help you identify and control common dangers in your business. This guide covers many risk management issues common to small businesses; it may not address all potential risks. If you have specific concerns or legal issues, we encourage you to reach out to your insurance representative, agent, attorney, or appropriate local, state and federal agencies.

Approaching Risk Management in Three Ways

You can manage your business risk in the following three ways. An effective risk management program incorporates all three.

- 1. Finance Your Risk:** Purchase adequate insurance to transfer financial responsibility for losses to your insurer. Obtain enough insurance to cover all your risks.
 - **Know Your Insurance Policies.** If you don't know what dangers your policy covers, you may be in for a surprise when a loss occurs. Review your policy with an independent insurance agent. You may need to purchase additional coverage to ensure full protection of your business.
- 2. Transfer Your Risk:** Where appropriate, transfer the responsibility for risk to your lessors, vendors, subcontractors, competitors, and even your customers. You may be able to transfer risks to others in many ways.
 - **Lease Business Property and Equipment.** When you lease rather than own your property or equipment, you may be able to transfer property and liability risks in whole or in part to the lessor.
 - **Use "Just-In-Time" Delivery.** Store your merchandise and materials at your vendors' sites until you need them and you can lower your risk significantly. That's because the goods arrive on site at the time you need them and not before. If you are in the packaged goods trade, ask your suppliers to drop-ship merchandise directly to your customers; this will further reduce your risk. Of course, these options depend on the nature of your business and are not recommended for time sensitive deliveries where late arrivals may adversely affect your business or your relationships with your customers.
 - **Transfer Risk to Your Customer.** For goods you sold to a customer, but remain on your premises, talk with your lawyer about ways to transfer ownership and risk. Look carefully at the warranties you issue to your customers to be sure that you are not unnecessarily increasing your risk.
 - **Hire the Right Subcontractors.** Reduce your Workers' Compensation risks by employing knowledgeable, adequately insured subcontractors. You can minimize high-risk product liability exposures. You should require Certificates of Insurance from your subcontractors to verify that they have adequate insurance.
 - **Consider "Hold Harmless" Agreements.** Consult your lawyer about these contracts that shift legal and financial risk from you to another party.
 - **Decline Risky Business.** Don't take the chance on potentially dangerous projects or ventures.

- 3. Control Your Risk:** Take a close look at how you do business. Review your equipment; facilities; employees; processes; products; and services, each are an important part of your business. Imagine what might go wrong with any one of these, and take steps to prevent problems. Take advantage of the excellent loss control services provided by many insurers. They can help you identify and control risks at your business.

Getting Started With a Risk Management Program

With everything in your business being vulnerable to multiple dangers, it may seem like starting a risk management program is too huge a task. But if you approach the project in chunks, it will not seem so large. Use the checklists provided with this guide and start by assessing your overall risks. Then focus on the two or three issues that seem most hazardous, or that pose the biggest risk to the success of your operation.

Consider asking a friend who is not in your business to conduct the survey with you; perhaps, someone who can look at your business with the “fresh light.” You may be able to trade off assistance with a neighboring business owner.

The Essential First Step – Management Commitment

Start by assessing your overall business risks. Then focus on the two or three issues that seem most hazardous, or that post the biggest risk to the success of your operation. Involve your employees; they’re sure to have good ideas about how to protect your business. Success depends on strong commitment from management to provide the resources, interest, leadership, and continued support to implement and continue a company-wide program.

Other Steps in the Risk Management Process

- **Review your insurance protection.** Be sure you understand what is and is not covered. If you have blanket coverage, make sure that all properties are actually on the property schedule. And ensure that your property is adequately insured to replacement value.
- **Consider loss control an operating issue.** Adopt a policy that defines accidents, incidents and insurance losses as operating problems; and treats them like any other operating problem that gets in the way of productivity and profit.
- **Make it someone's job.** Assign a responsible employee to identify and control hazards at your business. Provide the right training, motivation, support, and resources to help this person succeed.
- **Identify hazards.** Identify dangers in your business. Observe what happens minute-by-minute. Understand each step of each process, and consider what could happen under each circumstance.
- **Put a plan in place.** Create a plan to minimize or avoid the hazards and dangerous conditions you have identified.
- **Monitor your success.** Monitor the progress of your risk management program, and seek ways to improve it. Reinforce your employees’ participation and individual responsibility for the overall risk management effort.

There are seven risk management concerns that most businesses face. These are as follows:

- Property
- General Liability
- Product Liability
- Computers and E-Commerce
- Disasters and Business Interruption
- Workers’ Compensation
- Motor Vehicles.

The following sections give an overview of each of these areas and provide detailed checklists. Use the checklists to assess how well you’re prepared to stay productive in business. While these checklists will help you identify your exposures, of course they don’t cover every possible risk in your business. We encourage you to add any areas of special concern to your business to enhance the effectiveness of your risk management efforts.

Assessing the General Liability Risk Management Area of Concern

Shrink Your Losses

Many general liability claims are due to incidents that involve individuals who are not associated with your operation. People who submit claims arising out of injury or loss to self or property. Proper maintenance of your facilities can help control general liability losses; and protect others who might be affected by your business.

Employment Practices

The appearance of discrimination in hiring and employee practices is another risk exposure. To avoid risks of this type, handle hiring and personnel practices with care. A formal, well-documented personnel policies and procedures for hiring, training, performance review, discipline and termination can help too. Interviews should follow a structured form so that each applicant

receives the same questions. Always request the names, addresses and phone numbers of prior employers and applicant references. Your legal advisor should review and frequently update your policies and application forms.

CHECKLIST – GENERAL LIABILITY

Buildings and Facilities

YES NO

- Do you have a formal, well-documented program for inspection, maintenance and repair of buildings, facilities and grounds?

Does your maintenance program include:

- Inside and outside walking surfaces?
- Parking areas?
- Heating, cooling, ventilation and similar systems?
- Signage?
- Grounds (trees, etc.)?
- Are all areas neat, clean and free of clutter?
- Are all tripping hazards and spills removed immediately upon discovery?
- Do you have specific procedures for removing ice, snow and water from floors, walkways and roofs?

Property of Others

YES NO

- Is property of others which is on your premises identified and secured from theft or damage?
- Have you considered whether property next to your operation is exposed to loss (and therefore your liability) if you should have a fire or other major incident?

Actions of Your Employees or Others

YES NO

- Do you know whether the operations of other tenants on your property or adjacent property pose a threat to your premises?
- Is service and installation work done by your employees on the premises of others done under supervision, with clear guidelines?
- If applicable, is your food service staff trained in proper food handling procedures?

Contracted Workers

YES NO

- Do you have a protocol for pre-qualifying, selecting, and supervising subcontractors employed to provide building and grounds maintenance and other services?
- Are independent contractors required to follow safety procedures and proper work standards?
- Are they experienced in the business?
- Do independent contractors carry proper insurance coverage with adequate limits?
- Do you require Certificates of Insurance from independent contractors?
- Are all contracts, sales agreements, warranties, leases, advertising, etc., reviewed by legal counsel for limits of contractual or other liability?

Hiring Practices

YES NO

- Do you have a written job description for each unique position within the company?
- Do your job descriptions outline the job responsibilities, necessary experience, and educational and physical requirements?
- Do you have an employment application to gather pertinent information in the hiring process?
- Do you use the employment application consistently for all applicants?
- Do you have trained, qualified staff to interview applicants?
- Do you use a structured interview form?
- Do you conduct and document appropriate background, prior employment and reference checks according to federal and state laws?

Analyzing Your Risk

Now it's time to review your answers to the check lists. Take note of where you answered "No" to any question. These areas indicate action assignments for you and your employees. The sooner you start to take control of these potential hazards, the safer your employees, customers, vendors, neighbors, and your business assets will be.

Keeping Up To Date

Risk management is an on-going, ever-changing process much like many parts of your business. As your business grows, so do the risks. To be prepared, you must constantly review your risks just as you would constantly review your financial performance. Update your Risk Management program, and be sure to train all affected employees so they can support your efforts.

Getting Help with Risk Management

Your Agent Can Help

A small business is not able to absorb losses like a big business. Our economy depends on small businesses; and yet small businesses are more vulnerable when natural disasters, lawsuits, crime, serious injury, or accidents strike. Your insurance agent can help you identify and control risks before they become threats. And, of course, your agent can help you understand and obtain the insurance protection that is right for your business.

Other Risk Management Experts

Your lawyer, accountant and local government agencies can also help you to identify risks. The first place to start is with your insurance agent, but other experts can help you understand your risk in these key areas:

- **Fire and Electrical Hazards:** Local fire department, fire marshal, gas and electric companies, fire sprinkler contractor, safety equipment supply companies, electrical contractors.
- **Crime:** Local police, chamber of commerce, security company, neighborhood crime watch committee.
- **Hazardous Materials:** Materials vendors, OSHA, state and federal agencies (environmental protection, public health).
- **Embezzlement:** Your accountant, your banker.
- **Liability:** Your lawyer.
- **Computer and E-Commerce Security:** Your computer vendor.
- **Machinery and Building Fixtures:** Electrical and ventilation contractors, civil and mechanical engineers, contractors and suppliers of specific machinery and services.
- **Trade-Specific Risks:** Other business people in your trade, national and local trade associations.
- **Occupational Safety and Health:** OSHA, federal and state agencies (labor, public health), trade and business safety organizations, your insurance agent or insurer's loss control consultant.

Handling Insurance Claims

Unfortunately, sometimes even the best-run business can experience accidents, thefts, or other losses. If you need to file an insurance claim, you can take these steps to ease the claims process and to protect your business.

- **Inspect and inventory your property.** Make a physical inventory of all your property. Take photos or videos to supplement written records. Being able to verify ownership of your property is key to any property claim. Inspect your property regularly to document its conditions both inside and out.
- **Keep insurance information handy.** Have your insurance policy number and claims contact information easily accessible. Keep one copy of this information at your business site, and one off-site.

In the Event of a Loss

Having specific procedures in place in case of an accident or other emergency will smooth the claims process. Here are some practical actions to take when such an incident occurs:

- **Provide medical help.** Get immediate medical help for any injured person.
- **Collect information.** Obtain the contact information of anyone who witnessed the incident, and share it with the proper authorities. Never discuss liability or fault. That's the job of your insurance carrier.
- **Take a picture.** Obtain pictures or video of possible defects or other property damage. They can sometimes make a big difference in adjusting a claim. Note possible contributing factors, such as weather, lighting, etc.
- **Protect the scene.** Secure the accident scene to prevent people from entering the area. Redirect people away from affected walkways or parking areas.
- **Prevent further damage.** Make sure no further damage can take place and further loss of value to your property.
- **Secure a defective product.** Protect any defective product or machine involved in the claim. Your insurance agent will need to examine it later.

- **File the claim.** Call your insurance company immediately to report the incident. Claims professionals are experienced in helping businesses recover from losses. They can provide helpful advice about your loss and guide you through the claims process.

Finding More Information

Government Agencies

BLS Bureau of Labor Statistics Home Page <http://www.bls.gov/>
 BLS Safety and Health Statistics www.bls.gov/iif/
 CDC Centers for Disease Control and Prevention <http://www.cdc.gov/>
 CPSC Consumer Product Safety Commission <http://www.cpsc.gov/>
 DOL Department of Labor <http://www.dol.gov/>
 DOT Department of Transportation <http://www.dot.gov/>
 EEOC Equal Employment Opportunity Commission <http://www.eeoc.gov/>
 EPA Environmental Protection Agency <http://www.epa.gov/>
 FDA Food and Drug Administration <http://www.fda.gov/>
 FHA Federal Highway Administration <http://www.fhwa.dot.gov/>
 FMCSA Federal Motor Carrier Safety Administration <http://www.fmcsa.dot.gov/>
 FEMA Federal Emergency Management Agency <http://www.fema.gov/>
 NHTSA National Highway Traffic Safety Agency <http://www.nhtsa.dot.gov/>
 NIOSH National Institutes for Occupational Safety and Health <http://www.cdc.gov/niosh/homepage.html>
 OSHA Occupational Safety and Health Administration <http://www.osha.gov/>
 USFA United States Fire Administration <http://www.usfa.fema.gov/>
 Small Business Administration <http://www.sba.gov>

Safety Organizations

ACGIH American Conference of Governmental Industrial Hygienists <http://www.acgih.org/home.htm>
 AIHA American Industrial Hygiene Association <http://www.aiha.org/>
 ASSE American Society of Safety Engineers <http://www.asse.org/>
 IBHS Institute for Business and Home Safety <http://www.ibhs.org/ibhs2/>
 IIHS Insurance Institute for Highway Safety <http://www.hwysafety.org/>
 NFPA National Fire Protection Association <http://www.nfpa.org>
 NSC National Safety Council <http://nsc.org/>

Standards Organizations

ANSI American National Standards Institute <http://web.ansi.org/>
 Global Engineering Documents (index and vendor for most standards) <http://global.ihs.com/>
 UL Underwriters Laboratories <http://www.ul.com/>

Other Sources

National Emergency Management Association <http://www.nemaweb.org>
 ILO International Labour Organization <http://www.ilo.org/public/index.htm>
 American Red Cross <http://www.redcross.org>
 The Hartford <http://www.thehartford.com/>

For more information, contact your local Hartford agent or your Hartford Loss Control Consultant. Visit The Hartford's Loss Control Web site at <http://www.thehartford.com/corporate/losscontrol/>



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