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BDI Quarterly Newsletter

BRET DIXON INSURANCE

SUMMER 2008

Reduce Claims Through Effective Risk Management

All business owners may have a financial incentive to keep insurance premiums down as a reduction in incidents translates to fewer claims and lawsuits. Those business owners who execute appropriate risk management practices may reap the benefits of premium control and a more successful business. No business is immune from liability claims. Claims may be inevitable, even when you take all reasonable precautions in the operation of your business. For that reason, it makes sense to take advantage of those measures within your control. Think of risk management as a two-fold benefit to your business – (1) an effort that may reduce claims; and (2) an effort that may better position you in the defense of claims and lawsuits.

Risk Management as Claim Prevention

Pro-active risk management is essential to the prevention of liability claims. The process begins with the development of a plan. Understanding the nature of your business will allow you to identify those areas where incidents may occur. You should understand your business better than anyone. Take time to reflect upon your prior claims and lawsuits, and learn from your own experiences. Could you have done anything to prevent a claim or make it less likely to occur? You must identify risks inherent to your business, develop a realistic plan to prevent those risks, and consistently execute your plan. Procedures should be developed in order for you to effectively carry out your plan.

—It is very important that you maintain a paper trail to prove that your plan and procedures were followed. A paper trail would include documents such as daily and periodic inspection checklists, a signage log documenting all warning/signs throughout your business, vendor contracts, waivers and releases, etc. Daily and periodic inspection checklists will allow you to document the condition of areas and equipment. What you learn through inspection, you can fix!

—If you have invested in surveillance cameras as a risk management measure, you should properly record and retain that video. Surveillance systems provide many benefits, in addition to exposing fraud and potentially deterring claims.

—Periodic meetings with managers and employees will provide a forum for you to educate your staff and update them on the operation of your business. If your business requires employees to supervise the activity of patrons, be sure to provide your employees with adequate and necessary training.

—Employees should be trained to adequately respond to and investigate incidents. They must attend to injured persons, inspect the area in question, interview witnesses, and properly document the investigation. Incident reports must be properly completed and timely turned over to your insurance agent/company. In documenting their investigation, employees should know what to look for and should note the existence/non-existence of relevant factors.

We have an "Incident Report" you can fill out and submit on our website, which you can use as such a checklist.

Avoid negative publicity. No news is good news when it comes to claims and lawsuits. On the contrary, if you employ risk management practices, you may develop a reputation as a business that will be hard for claimants to pursue.

Risk Management to Better Defend Claims and Lawsuits

Risk management practices may also put you in a better position to defend claims and lawsuits. Do you have the necessary documentation to prove that you exercised reasonable care in the maintenance and operation of your business?

How will you appear in the eyes of a judge or jury? If you are defending a slip and fall case, can you show that you fulfilled your duty to inspect a particular location?

For example, in a slip and fall claim, when you provide oral testimony in a deposition or trial that you inspected the area in question prior to a fall, you are telling others about what you did, and others will have to rely on your word. Your word is valuable; however, the defense of a claim is stronger with hard evidence (business records) that supports your oral testimony and bolsters your credibility. When you can produce a daily inspection checklist evidencing that you inspected the area in question at a particular time, you can show others what you did. Your credibility before a judge or jury is much better when you can show them and not just tell them that you acted reasonably. Think of this as the "Show me-don't tell me" advantage. Your documentation and retention of business records may be part of the evidence that you put forward in the defense of claims and lawsuits.

In closing, please recognize that implementation of a risk management plan will take some planning, consistency and hard work. Be realistic and implement your plan in stages. Do not feel that you must do everything at once. Identify your top priorities and go from there.

Bret Dixon Insurance

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**Niche Writers of the
Restaurant & Tavern Industry**



Dependent Property Coverage

A new type of coverage available on some of our Businessowners policies is something called Dependent Property coverage. This provides coverage for property not owned, operated or controlled by you, but upon which your business is dependent on for normal business operations. BI-DP is an extension of your Business Interruption coverage, so it would provide protection for your business from financial losses caused by problems that occur somewhere other than at your business' premises.

Example: Your business is situated next door to a large multi-screen movie theatre, and a great deal of your business comes from people who make an evening out of hitting up both your establishment and the theatre. But if the theatre burnt down and was closed for eight months for remodeling, your business would probably take a significant hit, even though you suffered no direct loss because of the fire next door.

This endorsement doesn't just apply to businesses adjacent to yours, it could be a shopping center down the street, a nearby landmark or tourist attraction or a pro-

fessional or amateur sports team in the area that brings patrons in to their business as well as yours, as well as vendors and suppliers whose products you depend on.

Adding Dependent Property coverage to your Package is usually pretty easy. The endorsement is added by the number of locations you have, as each location could have different dependent properties and Dependent Properties do not have to be specifically declared. In most cases there is a time limit on the coverage, usually 30 days. In the example used earlier, the difference in business income from the burned theatre would only be picked up for the first month. It's not a guarantee of a certain income level, it's there to help during unexpected periods of transition.

No company operates in isolation—everyone is dependent on suppliers and customers, and this will provide valuable protection for your dependence on outside vendors, suppliers or power sources that can interrupt your business operations because they experience a loss.