



Not-So-Risky BUSINESS

With insurance and smart risk management, your business can thrive

The word “risk” is often associated with entrepreneurs – people willing to take a chance and to invest resources with an expectation and hope, but no guarantee, of reward. This is something we see all around us in the Edmonton business community: individuals who do take the chance to achieve success. What they likely have not left to chance is insuring their business, and their future.

In the insurance world, however, risk is another word for “peril” and refers to things that can go wrong. Crime, vandalism, fire, a personal injury lawsuit, a computer virus, equipment breakdown, non-delivery of raw materials, death or illness of a key employee – the list of adverse events that can harm your business is long... and a little scary.

But there’s a bright side. Insurance can help share some of this risk burden, so if the unexpected happens, your enterprise is safe. The right type and amount of insurance combined with a solid risk management plan will help your business thrive even if lightning strikes.

Getting Started

Shop around for a commercial insurance representative who knows your type of business or is willing to invest the time and effort to study it with you. You are familiar with the operation of your company, and your insurance professional should be familiar with cost-effective ways of handling risks. Your insurance representative can also advise you about the various insurance policies available to you, including business income, accounts receivable, commercial general liability (CGL), and directors and officers, to name a few.

An insurance professional can help you obtain the right amount and type of insurance and is a valuable asset for your company.

Risk Management 101

Risk management involves identifying and understanding the risks that your business is exposed to. It also means creating and implementing a plan to prevent losses or reduce the impact if a loss occurs.

Risk management doesn’t have to be expensive or time-consuming. It may be as uncomplicated as answering these three questions: 1. What can go wrong? 2. What will we do, both to prevent harm from occurring and in response to harm or loss? 3. If something happens, how will we pay for it?

Any good risk management plan involves taking steps

to minimize the likelihood of things going wrong, a concept known as loss control. It also involves purchasing insurance to reduce the financial impact of adverse events on an organization when, despite your best efforts, bad things happen.

Consider Your Risks

When it comes to developing a risk management plan, “knowing is half the battle.” Knowing and understanding your potential risks can help you prepare in case the worst happens and also help you when you speak to your insurance provider.

Some risk exposures are obvious. Other risks, which could be just as serious, can lurk undetected in the background. Ask your insurance representative for a loss-exposure checklist to help make sure you haven’t forgotten anything.

For example, if your place of business is rented or leased, you may be responsible to your landlord in the event of fire, explosion, vandalism, water leaks and other perils. And if you own your business premises, you will need insurance to protect your interests as well as those of your mortgage holders.

There seems to be almost no upper limit to the size of loss that could result in some areas, such as legal liability. High losses could arise, for example, from defective products or services, or even from a fall by a customer on a wet floor.

Another risk to consider is weather-related damage or disruption. Every year, disaster strikes a certain number of businesses in Canada, increasingly due to severe weather like heavy rain, hail or windstorms. This past summer was a stormy one for Edmonton, and many will remember the intense storm of 2004 that caused \$171 million in insurance claims.

Simple Steps to Take

Breaking into a cold sweat imagining all the worst-case scenarios? Relax. For one thing, not all risks are created equal. For example, a home-based business that deals with customers electronically would have very different risk exposure compared to a bus company that transports senior citizens to special events.

You might also feel better about risks after you assess the likelihood of each risk and estimate its possible effects and costs to the organization. There are some simple steps you can take right away to help prevent losses, such as leaving some lights on and windows clear of obstructions

so that police patrols can view the interior of your business. Another simple step is to ensure your computer files are backed up frequently and copies are stored off premises.

More Resources

Risk management can seem overwhelming at the start, but help is available. Consult your insurance professional for advice. Insurance Bureau of Canada provides insurance tips and information about risk management on its website at www.ibc.ca (under the business insurance section), including a Risk Management Process Worksheet and other tools to help you through the planning process.

Risk management is a pragmatic process with real-world implications. It’s more than a plan that sits on the shelf – it’s a way of thinking that your whole organization needs to adopt, from the most senior board member to the newest volunteer. With a little effort, and some help from your insurance representative, good risk management will protect your business... and help you sleep at night.

For more information, visit www.ibc.ca or call IBC’s Consumer Information Centre in Edmonton at 1-800-377-6378.

Loss Prevention Tips

- Install approved sprinklers, intruder alarms and fire alarms;
- Ensure good inventory control and meticulous bookkeeping;
- Take care of ordinary housekeeping risks such as removing extension cords not currently in use and cleaning up spills immediately;
- Secure all doors, windows and skylights – strongly;
- Secure storage and other low-traffic areas;
- Isolate flammable materials and dispose of waste materials properly;
- Encourage employees to protect the company by being watchful and careful;
- Register with your local police and fire departments so that they know who to call in an emergency;
- Consider hiring a security guard when conditions warrant;
- Have a business continuity plan – both to respond to an immediate emergency and to get your business operating again; and,
- Review your insurance coverage at least once a year to fix past mistakes and to assess new types of coverage. Adjust your coverage and deductibles if needed. Look at any changes that have come about in the type and volume of your business and shop around for competitive quotations.