

*“What do you mean I’m not covered?”*

## **15 Risk-Management Milestones for Examining Business & Personal Exposure**

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Did you know that if you blog about someone they could sue you for defamation of character?

Or that if your lawn guy hurts his back you could wind up liable for disability compensation?

Or that if your home or business is covered for 150% of replacement cost, you could *still* come up short on money to rebuild?

Or that even if your business has *zero* accidents, lawsuits or thefts, carriers may still view you as high-risk — and adjust premiums to match?

Welcome to the brave new world of risk management!

As hackers, terrorists, attorneys and even soaring fuel prices reshape liabilities and costs, it has become all too easy to discover business and personal insurance policies don’t cover what you thought they did. Before that happens, it pays to check your coverage regularly and update both policies and your overall risk management strategy *before* there’s a problem. In addition, there are 15 business and personal milestones that should always prompt a fresh look at your policies and protections. *See next page...*

## Personal Risk Management Milestones

- First apartment.** The most over-looked milestone for evaluating insurance coverage is graduation from college. When you move into your first apartment, you may not have a lot of stuff, but if it's stolen or damaged by a neighbor's overflowing bathtub, you have nothing. And if you're just starting out, you might not have the money to replace what you've lost. Renters insurance costs just \$10-12/month yet could save you thousands of dollars replacing your computer, iPod, clothes, and other items.
- Blogging.** Did you know that blogging could expose you to huge liability? Defamation of character lawsuits are one of the fastest-growing areas of the law right now – and the Washington area is notoriously active when it comes to lawsuits. Both renters and homeowners insurance provide essential protection in the form of liability coverage that will pay legal fees if you happen to be sued.
- Engagement.** Did you know that theft is *not* the biggest reason to insure that engagement ring? According to insurance statistics, the #1 risk is having an argument. In heat of the moment, the engagement ring often gets tossed — and lost. It's a big loss, too, since engagement rings typically cost \$2,500-\$10,000. People mistakenly believe their “rock” is covered by their renters or homeowners policy. Well, it may be, but those policies do *not* cover “mysterious disappearance” (as when the ring gets tossed out a window). But add a simple “all risk” rider to your policy and that ring is covered – with *no deductible*.
- Starting a family.** When children are involved, *both* spouses need life insurance. Often, however, non-working spouses are not covered. This can leave the surviving spouse struggling to cover ongoing financial commitments and new costs such as daycare or counseling for the children.
- Buying a first home.** Your lender will require a homeowner's policy, but protecting yourself at this stage in life requires a fresh look at your growing assets – and liabilities. For starters, you want to make sure the amount of your liability coverage is equal to or greater than the value of your assets. So take a look at what have already acquired and what you will acquire down the road as you begin to furnish that home.
- Accumulating assets.** If you own a home, vehicles, or investments, they could be at risk in a lawsuit. That's not an outside risk, either. People in the Washington area don't hesitate to sue and judges and juries can be very generous in awarding compensation for future earnings. Those awards could far exceed the liability coverage of your automobile and homeowners policies. For starters, there would be your legal and court costs. Then, suppose a jury awarded \$700,000 in damages but your policy only provides \$150,000 liability coverage: coming up with the \$550,000 balance could mean losing everything you own. You can prevent personal exposure with a liability umbrella policy that keeps your home and personal property from being put “on the table” in a lawsuit.

**Volunteer activities.**

Do you coach your kids' ball team, lead a Scout troop, or sit on the board of your condo or homeowner's association? A variety of scenarios could leave you facing a personally liability lawsuit. Again, you'll sleep far better knowing you have a liability umbrella in place.

**Household help.**

Complying with immigration laws and tax reporting is just the start. If you employ a housekeeper, nanny, or other household help, you could be held personally responsible for medical bills or disability costs. For instance, if your nanny trips over a teddy bear and falls down the stairs, the injuries -- and costs -- could be staggering. Yet for about \$500-600 a year, you can put domestic workers coverage in place so that if something happens, it's the policy (not your personal assets) that pays medical and even disability costs.

**Handyman services.**

Sure, it's nice to pay less for lawn care or gutter cleaning. But if the people you hire don't have their own worker's compensation insurance, you could wind up liable. Suppose, for example, your gutter cleaner falls off his ladder and injures his back. If he's not covered by workers' comp, expect a letter from his attorney asking you to pay medical costs. Your homeowner's policy would pay, but medical costs for a serious illness or long-term disability can quickly exceed what your policy provides. It pays to use pros that carry their own insurance *and* to make sure you have your own umbrella liability policy in place.

**Milestone birthdays.**

What if you had a car accident and had to spend six months in a rehabilitation center? Your medical insurance may not cover that stay. And what happens when you or your parents can't live independently? Fees at nursing homes and assisted living facilities can run \$6,000 a month -- a cost Medicare doesn't pay. A long-term care (LTC) policy *does* cover these expenses. The younger you buy the policy, the lower the premiums. Even if a parent is elderly, it pays to weigh the cost of the LTC coverage. Some seniors feel they don't need LTC because they can always sell their home. Unfortunately, selling a home in today's tough real estate market could take a year. How will you cover the \$72,000 costs in the meantime? An LTC policy takes that worry away.

**Changing home value.**

Even if the value of your home has fallen, construction costs are rising. If your house were destroyed by a fire or other disaster, that could leave you short on the insurance money to rebuild but unable to refinance or borrow the difference. To avoid surprises, check your homeowners policy to see what "replacement cost" really covers. Chances are, if replacement costs exceed your current dwelling coverage, the insurance company will pay an additional amount -- usually 125% or 150% of your coverage. But even that extra may not cover replacement as soaring fuel and raw materials prices continue to drive construction costs sky high. To avoid coming up tens -- even hundreds -- of thousands dollars short, ask about a policy that provides *guaranteed replacement costs*.

## Business Risk Management Milestones

- End of the year.** Take an annual look at where you stand in terms of risk management. Has your organization had events (both negative and positive) that could affect your exposure or the cost of coverage? For example, has your business experienced injuries, accidents, losses, lawsuits? Have you implemented new training programs or personnel policies to reduce the chance of injuries, accidents, losses and lawsuits? Have you put new business continuity and disaster recovery plans in place? This annual assessment helps you identify where new risk mitigation actions are needed. If you've already made improvements, it helps you identify opportunities to negotiate with commercial insurance carriers for better rates and terms.
- Growth.** Every time you add more employees, facilities, vehicles, equipment you increase your exposure to everything from property damage and OSHA compliance to bad publicity. So any time you grow, make sure your risk management strategy keeps pace with your changing organization.
- Contractors.** If you use consultants or contractors (including 1099 employees), make sure that (1) they have adequate liability insurance and that (2) your company is named as an insured party on that policy. In the event of a problem, any loss would be covered by the contractor's insurance rather than yours. This risk transfer strategy helps protect your own insurance limits from being used up by matters involving contractors.
- Cyberliability.** Cyberliability is a huge new area of exposure. Every business today needs a risk management strategy that addresses how to protect the confidentiality of information on customers, employees, and vendors. From a "smash and grab" burglary, to an employee's laptop ending up in the wrong hands, the financial consequences and bad publicity can bankrupt a business. Reducing the risk of cyberliability involves far more than virus protection and firewalls. Without sound policies (such as requiring employees to lock both the screen and the computer itself before stepping away from the desk for any reason), your business could still be found negligent. Neither a general liability policy nor a general business policy will cover this – but sound policies, procedures and training *will* protect you.

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At McLean Insurance, we've developed a TrueRisk Profile<sup>SM</sup> for evaluating both personal and business risk management strengths and vulnerabilities. This is our first step in developing a comprehensive asset protection plan for each of our clients.

We would be happy to provide you with a free consultation. Please call Christine Cavins at (703) 637-4346 or [ccavins@mcleaninsurance.com](mailto:ccavins@mcleaninsurance.com) to set up an appointment..