

## Is your business insured?

By Jennifer A. Cranston



Does your business have the proper insurance? According to a recent survey, the answer to this question for many businesses is “no.”

In 2013, one of the largest worldwide insurance groups (Chubb) commissioned a survey to determine how private companies in the United States contemplate and manage their business exposures. The results of the study indicate that many business owners and risk managers are concerned about specific business risks, but don’t have insurance in place to address those risks.

The study reports that many companies are operating under a misconception regarding the scope of coverage provided by standard general liability (GL) policies.

While GL policies are an important part of risk management, they generally limit coverage to liability for personal and bodily injury, property damage and advertising injury, but they don’t provide protection for a myriad of other common business risks.

Specifically, the businesses surveyed admitted to worrying about being sued for alleged wrongdoing by officers and directors as well as claims for employment discrimination, harassment and retaliation. Yet, more than half incorrectly believed that such lawsuits would be covered by their GL policies, which is why they reported foregoing specialized insurance like directors and officers liability insurance and employment practices liability coverage.

Additionally, a majority of the companies surveyed hire outside vendors to manage their employee benefit plans and, therefore, assume that they are shielded from lawsuits by employees. However, according to the report, such companies can still face liability for improper benefit management

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and won’t have insurance to pay their defense costs unless they purchase fiduciary liability coverage.

Another type of insurance that most of the surveyed businesses are missing is coverage for cyber risk, which can protect companies from the high costs and potential liability associated with data breach – a risk that has and continues to grow exponentially.

To me, the 2013 Chubb survey confirms that most business owners and operators understand their risk exposure, but many are mistaken about the protection provided by their current insurance policies. This misunderstanding can cause significant economic damage to a company – damage that can be minimized or eliminated with a little extra effort to ask the right questions and better understand what types of coverages are available.

The complete results of the Chubb study are available at <http://www.chubb.com/businesses/csi/chubb12192.pdf>.

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