

A closer look at what insurance coverages are needed, and when.

Insurance is a necessary function for organizations, although not all view this coverage as strategically as they should.

The procurement of basic insurance coverages for businesses can be broken down into four phases. As an organization navigates its growth cycle, from start up to multinational corporation, insurance needs will vary. Early stage companies often are driven by compliance when purchasing coverage, yet leveraging insurance and risk transfer solutions more strategically can help younger organizations become more resilient, transfer financial risk, and withstand many of the uncertainties companies of all sizes will face throughout their operating years.

As organizations evaluate their insurance needs, they can compartmentalize key coverages for consideration into phases that match their current size and operational requirements.

Phase I ■

BASIC OPERATING COVERAGES FOR ORGANIZATIONS OF ANY SIZE

- Business Owner's Policy (BOP)** combines the most common types of property and general liability insurance into one convenient, comprehensive package at a competitive rate. **Hired and Non-Owned Auto (HNOA)** coverage can be added if needed.
- Workers Compensation** pays for medical care and replaces a portion of lost wages for an employee who dies or is injured in the course of employment, regardless of fault. This coverage is required by most states depending on the number of employees.
- Errors & Omissions (E&O) or Professional Liability** coverage protects an organization against third party lawsuits by customers, clients, or patients claiming that the business's failure to perform a job properly has injured them. For technology companies, there is special coverage called **Tech E&O**.
- Cyber Insurance** provides protection to a company if a cyber or data breach occurs.
- Employee Benefits** are additional methods of compensation offered to employees that are separate from their salaries and wages. These benefits are most often comprised of health (medical, dental, vision), life and disability insurance plans. These benefits help firms to attract talent and also create tax advantages.

COVERAGE: CYBER INSURANCE

From ransomware attacks compromising systems, to compliance-related expenses for personal data exposure, a cyber breach can be very costly and often put younger, cash strapped organizations at the brink of bankruptcy. A stand-alone cyber policy provides a variety of liability protections, breach response coverages for costs associated with mitigating the breach and notifications to affected individuals, ransomware protection, and business interruption coverage. However, organizations must be aware of common exclusions.

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Phase II ■ ■

STRATEGIC LIABILITY & RISK TRANSFER FOR
10+ EMPLOYEES

- Directors & Officers (D&O)** liability coverage protects a firm if there is a lawsuit claiming improper business management.
- Employment Practices Liability Insurance (EPLI)** covers damages for which an employer is legally liable such as violating an employee's legal rights. .
- Fiduciary Liability Insurance** coverage for damages caused by a breach of fiduciary duty by an employer.
- Keyperson Insurance** coverage protects against a key employee's or executive's unexpected death.

Phase III ■ ■ ■

BUILDING RESILIENCY WITH 25+ EMPLOYEES

- Employee Benefit Liability (EBL)** coverage protects against an error or omission in the administration of an employee benefit program.

COVERAGE: EMPLOYEE BENEFIT LIABILITY

As employee headcount grows, the chance for errors in processing employee benefits increases. For example, if an employer accidentally forgets to enroll an employee in the benefit program, and that employee must pay out of pocket for a doctor visit. In many cases, EBL Coverage can be included in a BOP. Fiduciary Liability coverage provides an employer coverage for the advising of employee benefit plans, while EBL provides coverage for the administration of employee benefits plans.

COVERAGE: FIDUCIARY LIABILITY

By offering a retirement plan to employees, such as a 401(k), an employer is acting in the capacity of a fiduciary and is subject to claims for damages due to scenarios such as mismanagement of investment funds or poor performance of the retirement plan. This coverage can also be applied to damages due to the advising of employees for an employer's benefits plan that results in insufficient coverage.

Phase IV ■ ■ ■ ■

SPECIALIZED RISK MITIGATION FOR EXPANDED
OPERATIONAL GEOGRAPHY

- Kidnap/Ransom/Extortion** coverage provides protection for employees traveling to high risk regions.
- Defense Base Act (DBA)** coverage for organizations bidding on government contracts to expand workers compensation coverage for staff performing contract work at U.S. military installations around the globe.
- Business Travel Accident (BTA)** coverage provides emergency medical and evacuation coverage for organizations with employees traveling internationally.
- International Property and Liability** coverage provides specialized liability and property protections for overseas operations.