Ten Tips for Avoiding Litigation: Tip #3 Check Your Insurance Coverage Frequently to be Sure it Protects Your Business from Exposure to Risk

FG Law Blog

March 24, 2020

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Although having adequate insurance coverage is not necessarily a way to avoid litigation, I have included it on my list of litigation-avoidance tips because it is so important in protecting you and your business from financial disaster when litigation does occur. Despite the important role it plays in a businesss defenses to litigation, I cant tell you how many times I have asked a business owner for details about his companys insurance coverage, such as Do you have coverage for X?, only to be met with the response, I dont know. Similarly, when I ask when was the last time you reviewed your coverage with your insurance agent, the response is frequently a blank stare. I get it; many of us would prefer a visit to the dentist to sitting with our insurance agent to discuss our coverage. But, unfortunately, your mother was right when she taught you that delaying doing something because it is unpleasant doesnt make it go away; it only makes it worse.

First, you need to find a bright, industrious insurance agent, who has experience working with companies of your size and in your industry. You will know if your agent fits that description by the insightfulness of the questions she asks you when you meet to review your coverage. Your agent should want to know everything about your business, such as: what does it sell; how does it generate revenue; who are its customers; how many and what kind of employees and independent contractors does it use and for what purposes; does it own or lease vehicles for business use; what intellectual property does it own and does it license the use of any of that property; does it hold or invest money or other property for its customers; and numerous other similar questions about the companys business. If your agent is not customizing your companys coverage to your specific business needs, you should find someone else.

Second, you will know if your agent is the right agent for you if she insists on a meeting with you periodically to review your coverage and learn if there have been significant changes in your company since the last review. Your agent should also discuss with you at that meeting changes in the law that might create new risks or opportunities for your company, and that might require more or different coverage. Finally, your agent should discuss with you new types of insurance coverage (e.g., cyber security insurance) that are now available and might be appropriate for your company.

Third, you will also know if your insurance agent is right for you if she contacts you on a regular basis when there has been a change in the types of coverage available for companies like yours or a change in the law that potentially affects your companys risk exposure. If those changes are significant, your agent should not wait until the next regular meeting to discuss them with you. You can reciprocate by letting your agent know when there has been a change in the company that might affect the amount or type of coverage you need.

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If your agent does not fit the above description, then you should consider making a change. Ask competitors and your trusted business advisors whom they recommend. Or ask me. I know several insurance reps at different market levels who are on top of their game and will give you the service you deserve and get you the coverage you need.

Finally, it is an added bonus if your insurance agent is able to offer your company and its employees loss prevention training. A physicians insurers, for example, frequently provide training on avoiding medical malpractice, wrongful discharge, sexual harassment, and hostile work environment claims. Many insurers offer this type of training free of charge to help their insured clients reduce their exposure to certain types of risks. Your agent should discuss these opportunities with you, but, if not, be sure to ask what is available.

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