

Managing Your Company's Liability Exposure Using Risk Management Techniques

Guest Editorial
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Risk management is a concept that is often top-of-mind for many business owners. How can I protect my company's assets against lawsuits? How can I provide a safe environment for my customers and employees? Am I protected

in the event that my product fails? What about if one of my OEM's products fails?

These are all concerns that can be addressed through the following five-step risk management process.

Step One: Identify and Analyze Your Loss Exposure

Meet with your management staff and identify areas in

which you feel you have the most risk. Such areas may include your own facility if you have a shop where there is inherent risk to the public or employees. Your facility could also be an issue if you're a business that commonly has the general public in a lobby area or on your sales lot, if you're a dealer. As a manufacturer of component parts or an upfitter, the most likely liability risk may be your product. Each individual business has its own unique loss exposures, and identifying them is the first step in managing them.

Step Two: Review Available Risk Management Techniques

There are several options from which to choose when going through this process:

- **Risk Avoidance** — This is as simple as not engaging in risky behavior at all or changing your operations to avoid the risky part. This option will not only eliminate the risk, but will limit potential as well. However, it is also frequently impractical.
- **Risk Reduction** — This involves typical loss control measures such as quality tests and inspections, ongoing and thorough personnel training, lockout/tagout policies, proper certifications, etc.
- **Risk Transfer** — This technique has two common forms, the first of which is insurance. You are essentially transferring your risk to an insurance carrier in exchange for premiums paid. The second form is through contractual language with OEMs and/or customers. In this scenario, you are transferring your risk to the other party by way of hold-harmless agreements, indemnification agreements, and the like.
- **Risk Retention** — This option is used when the risks are either unlikely, or the costs of mitigating or transferring the risks are prohibitive.



Step Three: Select the Best Risk Management Technique for Your Exposure

This is a process of weighing your risk vs. reward. You can avoid risk altogether, but at what cost? Is the risk large enough to invest in risk-reduction testing and training? If you transfer the risk to your customers, will they go somewhere else with more generous or ambiguous contractual language?

These are all factors to consider when identifying the proper technique for your business, and often, the answers fall somewhere in the middle. By implementing a well-balanced program, you can protect your company's assets and still have a viable, thriving business.

Step Four: Implement the Technique You Select

Once you have identified the most appropriate course of action, follow through with implementation. Your management and key employees should be very familiar with your choice and effectively communicate it to all staff.

Step Five: Monitor the Program's Success

Monitoring the plan is essential in gathering data on the effectiveness of your chosen technique. If you find that the technique you've chosen is not producing the needed results, you may want to consider revisiting your options.

Going Forward

Businesses with interested, engaged ownership and management are typically those that survive even the hardest of times. Managing your company's risk is one way of staying involved and in control.

Many insurance companies and agencies have on-staff or contracted risk managers who can help with this very important task. Inquire with your insurance professional about their services in this area.

As the preferred insurance agency of the NTEA, JD Fulwiler developed the Protection Plus program to provide the industry with underwriting, risk assessment and loss prevention services. JD Fulwiler will shop among many top insurance carriers with which it does business to find a coverage solution that best meets your needs. For more information on the Business Insurance Program, visit NTEA.com or call 1-800-441-6832.

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At JD Fulwiler & Company Insurance we are dedicated to serving NTEA members and affiliates with our specially designed **Protection Plus** program. This NTEA-preferred program has availability for all companies, regardless of how small or how large. We provide consistent underwriting guidelines you can count on from underwriters who are experts in the work truck industry. Protection Plus Program Coverages Include:

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- Personal (home, auto, etc)
- Employee Benefits
- Employment Practices Liability

Contact Our Work Truck Industry Insurance Specialist Today!

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Correction Notice

In the March 2013 edition of *NTEA News*, several members were not included in the list of companies that have achieved Member Verification Program (MVP) status.

The NTEA would like to recognize the following members as MVP companies:

- Auto Truck Group (Aurora, CO)
- Auto Truck Group (Louisville, KY)
- Auto Truck Group (Roanoke, IN)