

Managing Your Risk: The Smart Approach to Protecting Your Business

Managing Risk is Good Business

Managing your business exposure to risk is now more important than ever. Today, even a seemingly minor incident may result in expensive legal action. Careless hiring practices can lead to significant Workers' Compensation or general liability claims. Routine maintenance and small repair jobs left undone can snowball into major property expenses. Loss of equipment or computer data because of a fire can stop your production or even shut down your business.

With so much at stake, it makes good sense to implement a comprehensive risk management program for your business. An effective risk management program helps you understand and be prepared for the risks you face *before* losses occur – and that preparation can mean the difference between a profitable or unprofitable business.

What Is Risk?

In insurance terms, risk is the chance that your business will lose money because of:

- Liability for injury or death of employees or other people on your premises.
- Liability for injuries or damage caused by products you make.
- Destruction or theft of property, equipment, machinery, vehicles or other assets.
- Loss of net income through lost sales or extraordinary expenses.
- Anything else that adversely affects the way you do business (such as interruptions to your suppliers due to a natural disaster).

Any single incident can cause multiple problems. For example, a fire at your facility may destroy essential equipment, drive away customers, damage a neighboring business, and injure or kill an employee.

Why Manage Risk?

Why manage risk? The answer is simple – to protect yourself and your business against unforeseen hazards as well as the routine risks your workers face every day. An hour of risk management effort will typically yield a greater return on investment than an hour pursuing new business. Why? Because good risk management addresses factors that you can control, such as employees, materials, operations, facilities, processes and vehicles. On the other hand, prospecting for new business requires that you devote effort to a factor that can't be controlled-potential customers who may or may not need or want what you have to offer.

Loss Control TIPS

Good risk management doesn't have to be expensive or time-consuming. You can take simple steps right now to protect your business. This *Risk Management Guide*, provided as a service of the Small Business Administration and The Hartford, offers detailed checklists to help you identify and control common hazards in your business. Although this guide covers many risk management issues common to small businesses, it may not address all potential hazards. If you have specific concerns or legal issues, we encourage you to obtain assistance from your insurance representative, agent, or attorney, or from appropriate local, state and federal agencies.

Approaching Risk Management in Three Ways

You can manage your business risk in three ways. You can *finance* it by buying insurance and retaining some of the risk yourself through deductibles; you can *transfer* it to others; and you can *control* it through a risk management system. An effective risk management program incorporates all three elements.

1. **Finance Your Risk:** Purchase adequate insurance to transfer financial responsibility for losses to your insurer. Obtain enough insurance to cover all your risks.
 - **Know Your Insurance Policies.** If you don't know which perils your policies cover, you may be in for a surprise when losses occur. Review your policies with your independent insurance agent, and if necessary purchase additional coverage to ensure that your business is fully protected.
2. **Transfer Your Risk:** Where appropriate, transfer the responsibility for risk to your lessors, vendors, subcontractors, competitors, and even your customers. You may be able to transfer risks to others in many ways.
 - **Lease Business Property and Equipment.** When you lease rather than own your property or equipment, you may be able to transfer property and liability risks in whole or in part to the lessor.
 - **Use “Just-In-Time” Delivery.** When you require vendors to store merchandise and materials at their sites until you need them, you lower your risk significantly, because the goods arrive on site at the time they are required, not before. If you are in the packaged goods trade, ask your supplier to drop-ship merchandise directly to your customers; this will further reduce your risk. Of course, these options depend on the nature

of your business and are not recommended for time-sensitive deliveries where late arrivals may adversely affect your business or your relationships with your customers.

- **Transfer Risk to Your Customer.** Talk with your lawyer about ways to transfer ownership – and risk – of goods that have been sold to a customer but which remain on your premises. Look carefully at the warranties you issue to your customers to be sure that you are not unnecessarily increasing your risk.
 - **Hire the Right Subcontractors.** You can reduce your Workers' Compensation risks by employing knowledgeable, adequately insured subcontractors. When you use properly insured subcontractors to perform services or to supply parts for your products, you can minimize high-risk product liability exposures. Require your subcontractors to supply Certificates of Insurance to verify that they have adequate insurance.
 - **Consider “Hold Harmless” Agreements.** Consult your lawyer about these contracts that shift legal and financial risk from you to another party.
 - **Decline Risky Business.** Let your competitors take the chances on potentially dangerous projects or ventures.
3. **Control Your Risk:** Take a close look at how you do business. Assess your equipment, facilities, employees, processes, products, and services. Each factor is an essential part of your business. Now imagine what might go wrong with any one of these, and take steps to prevent problems. Take advantage of the excellent loss control services provided by many insurers. They can help you identify and control risks at your business.

Getting Started With a Risk Management Program

Because everything in your business is vulnerable to multiple hazards, starting a risk management program may seem like a huge task. But if you approach the project in chunks, it will not seem so large. Using the checklists provided with this guide, start by assessing your overall risks. Then focus on the two or three issues that seem most hazardous, or that pose the biggest risk to the success of your operation.

Consider asking a friend who is not in your business to conduct the survey with you – someone who can look at your business with the “fresh light” that may be hard for you to have on your own. You may be able to trade off assistance with a neighboring business owner.

The Essential First Step – Management Commitment

The success of your risk management program depends on strong commitment from management to provide the resources, interest, leadership, and continued support to implement and continue a company-wide program. Examine your operation and note anything that could cause damage, injury or loss. Involve your employees; they are sure to have good ideas about how to protect your business.

Other Steps in the Risk Management Process

- **Review your insurance protection.** Review your property insurance program with your agent to be sure you understand what is and is not covered. Make sure that all properties are actually on the property schedule if you have blanket coverage, and ensure that your property is adequately insured to replacement value.
- **Consider loss control an operating issue.** Adopt a policy that defines accidents, incidents and insurance losses as operating problems and treats them in the same manner as any other operating problem which hinders productivity and profit.
- **Make it someone's job.** Assign a responsible employee to identify and control hazards at your business. Provide the right training, motivation, support, and resources to help this person succeed.
- **Identify hazards.** Identify hazards and dangerous conditions in your business. Examine what happens minute-by-minute at your business. What happens when a customer comes into your office or plant, when your employees manufacture products, or when they provide services or make deliveries? Understand each step of each process, and consider what could happen under any of these circumstances.
- **Put a plan in place.** Create a plan to minimize or avoid the hazards and dangerous conditions you have identified.
- **Monitor your success.** Monitor the progress of your risk management program, and seek ways to improve it. Reinforce your employees' participation in, and individual responsibility for, the overall risk management effort.

Most businesses face risk management concerns in seven areas: Property, General Liability, Product Liability, Computers and E-Commerce, Disasters and Business Interruption, Workers' Compensation, and Motor Vehicles. The following sections give an overview of each of these areas and provide detailed checklists.

Use the checklists to assess how well you're prepared to stay productive and in business. While these checklists will help you identify your exposures, of course they do not cover every possible risk in your business. We encourage you to add any areas of special concern to your business to enhance the effectiveness of your risk management efforts.

Assessing Seven Risk Management Areas of Concern

1. PROPERTY – Minimize Your Risk

One of the most valuable assets in your business is your property. Unless property and equipment are maintained properly and insured adequately, they can be at significant risk for loss and damage.

It is important to review your property insurance program with your agent to be sure you understand what is and what is not covered. If your policy has blanket coverage for a number of different properties, make sure that all properties that should be insured are actually named on the property schedule. Even with blanket coverage, property not listed on the schedule may not be covered.

Check to be sure that your property is adequately insured to replacement value. Improvements to your leased or owned property, or changes in building costs, should be reflected in your insurance coverage. Periodically review and update your property values and adjust the coverage accordingly.

CHECKLIST – PROPERTY

Premises and Personal Security

YES	NO	
<input type="checkbox"/>	<input type="checkbox"/>	Are adequate devices installed to control unauthorized entry onto the premises?
<input type="checkbox"/>	<input type="checkbox"/>	Do you have a burglar alarm that reports to a central station or a constantly attended monitoring facility?
<input type="checkbox"/>	<input type="checkbox"/>	Do you have adequate fencing and gates around the building and parking areas?
<input type="checkbox"/>	<input type="checkbox"/>	Is there adequate exterior and interior lighting?
<input type="checkbox"/>	<input type="checkbox"/>	Do you have adequate door and window locks?
<input type="checkbox"/>	<input type="checkbox"/>	Is access to premises controlled by physical barriers and surveillance?
<input type="checkbox"/>	<input type="checkbox"/>	Do you require the use of company ID badges?
<input type="checkbox"/>	<input type="checkbox"/>	Do you have appropriate visitor sign-in, badges and escort procedures?

Premises and Personal Security (continued)

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Are check-in and check-out procedures effective in controlling independent contractors and trades people? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have an inventory control system in place? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a comprehensive security policy that outlines procedures for: |
| <input type="checkbox"/> | <input type="checkbox"/> | Threats to personal safety, such as assault, sexual abuse and robbery? |
| <input type="checkbox"/> | <input type="checkbox"/> | Situations involving drug or alcohol use? |
| <input type="checkbox"/> | <input type="checkbox"/> | Bomb threats? |
| <input type="checkbox"/> | <input type="checkbox"/> | Civil unrest? |
| <input type="checkbox"/> | <input type="checkbox"/> | Employee theft? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are products and business property that are stored away from your premises identified and safe? |

Accounting Security

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Are cash, bank deposits and inventory overseen by more than one person? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are cash deposits made frequently, to limit the amount of cash on hand? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is billing independently reconciled to ensure proper charges, credits and refunds? |

Protection from Theft

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Are your employees trained to recognize shoplifting risks and do they know how to respond? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are your employees trained to recognize counterfeit currency? |
| <input type="checkbox"/> | <input type="checkbox"/> | Can your employees determine credit card validity? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is a process in place for employees to report vandalism or theft committed by employees, visitors, vendors, or contractors? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is proper security and accountability established for samples, demonstrators and tools? |

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Are valuables secured in adequate lockers and appropriate safes? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are office machines and tools marked with identifying etchings or other markings, and are their serial numbers kept on file? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are all employees trained in how to respond to a hold-up and in other security measures appropriate for your business? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are finished products and merchandise protected from theft and damage? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is cash frequently collected from the registers to reduce the chance of theft? |

Building/Facilities (Structure, Utilities, etc.)

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Is the building's exterior structure, including all equipment, in good condition, taking into consideration natural perils? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are drain pipes, signs, tanks, fences, out-buildings, towers, canopies, trees, etc. secured? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the building's interior structure, including equipment, in good condition? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are you sure that the electrical system is adequate and up to date? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has the electrical system been upgraded to accommodate new equipment and increased use? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the heating and air conditioning system properly maintained and safely located? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the plumbing system properly installed and adequate? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are hazardous operations and concentrations of valuable assets properly segregated? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the roof covering free of leaks? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the roof drainage adequate? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has the potential for snow/ice/water accumulation on the roof been considered? |

Fire Prevention

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Are all combustibles and flammables stored properly? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the roof covering non-combustible? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the interior finish of walls, floors and ceiling of a low-combustibility type? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are furniture and fixtures of low combustibility? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are foamed and rigid plastics used in ducts, pipes, trim and insulation properly installed and protected by noncombustible materials to reduce smoke and fire risks? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is all refuse removed daily? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are "no smoking" rules established and enforced? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are electric extension cords, tools and appliances safely used? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are smoke alarms in use, and maintained and tested regularly? |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you assessed the fire hazards common to your type of business operations (e.g., welding, parts cleaning)? |

Fire Protection

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Are your employees trained to respond quickly and correctly when they smell smoke or see a fire? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are fire protection devices (extinguishers, etc.) and sprinklers properly installed, maintained, tested, and free of obstruction? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are structural openings protected by operable and approved fire doors, dampers, etc., to prevent the spread of fire and smoke? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is high-value equipment protected? For example, is the computer room separated from a company's welding operation by adequate fire-resistant construction? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are dangerous or flammable raw materials and packing materials safely stored and handled? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is high-piled stock segregated from hazardous operations and walls, and properly situated at least 18 inches below sprinkler heads? |

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Are there physical and time/space barriers (e.g., firewalls) between people and the hazardous conditions that cause accidents and other incidents? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are valuable assets segregated (preferably to other facilities) so that a fire or flood would not wipe out all your major assets? |

2. GENERAL LIABILITY – Shrink Your Losses

Protecting Others Who Might Be Affected by Your Business

General liability risks often involve incidents in which someone not associated with your operation claims to have suffered an injury or loss to self or property. Proper maintenance of your facilities is a primary means of controlling general liability losses.

Employment Practices

Another general liability exposure is the appearance of discrimination in hiring and employee practices. To avoid risks of this type, handle hiring and personnel practices with care. Establish formal, well-documented personnel policies and procedures for hiring, training, performance review, discipline and termination. Interviews should follow a structured form so that the same questions are asked of each applicant. Always request the names, addresses and phone numbers of prior employers and applicants' designated references. Your legal advisor should review and periodically update your policies and application forms.

CHECKLIST – GENERAL LIABILITY

Buildings and Facilities

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a formal, well-documented program for inspection, maintenance and repair of buildings, facilities and grounds? |
| <input type="checkbox"/> | <input type="checkbox"/> | Does your maintenance program include: |
| <input type="checkbox"/> | <input type="checkbox"/> | Inside and outside walking surfaces? |
| <input type="checkbox"/> | <input type="checkbox"/> | Parking areas? |
| <input type="checkbox"/> | <input type="checkbox"/> | Heating, cooling, ventilation and similar systems? |
| <input type="checkbox"/> | <input type="checkbox"/> | Signage? |
| <input type="checkbox"/> | <input type="checkbox"/> | Grounds (trees, etc.)? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are all areas neat, clean and free of clutter? |

Buildings and Facilities (continued)

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Are all tripping hazards and spills removed immediately upon discovery? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have specified procedures for removal of ice, snow and water from floors and walkways and roofs? |

Property of Others

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Is property of others which is on your premises identified and secured from theft or damage? |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you considered whether property adjacent to your operation is exposed to loss (and therefore your liability) if you should have a fire or other major incident? |

Actions of Your Employees or Others

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you know whether the operations of other tenants on your property or adjacent property pose a threat to your premises? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is service and installation work done by your employees on the premises of others done under supervision, with clear guidelines? |
| <input type="checkbox"/> | <input type="checkbox"/> | If applicable, is your food service staff trained in proper food handling procedures? |

Contracted Workers

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a protocol for pre-qualifying, selecting, and supervising subcontractors employed to provide building and grounds maintenance and other services? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are independent contractors required to conform to safe procedures and proper work standards? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are they experienced in the business? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do independent contractors carry proper insurance coverage with adequate limits? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you require Certificates of Insurance from independent contractors? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are all contracts, sales agreements, warranties, leases, advertising, etc., reviewed by legal counsel for limits of contractual or other liability? |

Hiring Practices

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a written job description for each unique position within the company? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do your job descriptions outline the job responsibilities, necessary experience, and educational and physical requirements? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have an employment application to gather pertinent information in the hiring process and use it consistently for all applicants? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have trained, qualified staff to interview applicants? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you use a structured interview form? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you conduct and document appropriate background, prior employment and reference checks according to federal and state laws? |

3. PRODUCT LIABILITY – Keep Track of Your Products

If your company makes its own products, you need to have an organized, documented product loss prevention program to limit your liability and control your risk. You should have a procedure for documenting, investigating, and following up on customer complaints about products you manufacture and sell, no matter how trivial those complaints may appear.

For risk management purposes, your “product” includes:

- The physical product
- Advertising claims
- Instructions for use
- Shipping package
- Display package
- Labels, warnings, and other on-product messages

Essential elements of good product loss prevention include:

- Thoughtful design
- Thorough testing
- Accurate and easy-to-use record keeping
- Realistic assessment of the hazard potential
- Customer education and information
- Product marking and identification
- A well-thought-out recall plan
- Procedures for response to, and documentation of, customer complaints

CHECKLIST – PRODUCT LIABILITY

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a formal policy outlining management's commitment to product safety? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have organized, complete records of the ingredients in your products? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have organized, complete test results records? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is proper documentation maintained throughout the life of the product, from inception to final disposal? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have organized, complete product performance records? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a formal, written product recall plan that specifically assigns responsibilities for recovering dangerous, ineffective or contaminated products from users? |

4. COMPUTERS AND E-COMMERCE RISKS – Feel More Secure

The more you use the Internet and other electronic communications, the greater your risk for liability, fraud, viruses, security breaches, and other e-hazards. The more care you take to protect yourself, your employees, and your customers, the more secure your business will be. One way to assess your risk is by evaluating the extent of your online activity. Be sure to consider any changes you plan to implement that may change your e-commerce risks.

If your business maintains an Internet site, it's important that you operate it safely and securely, and that you comply with all applicable laws. Seek assistance from your legal counsel and from reputable information technology professionals.

CHECKLIST – COMPUTER OPERATIONS/ E-COMMERCE

Standard Risks and Controls

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Are computers properly and securely installed, with back-ups for critical data and programs in a safe place, preferably in a separate location? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you create back-ups of all your payroll, tax accounting, production records, customer lists, lease, insurance policies, and other important data on a regular basis and house them in a separate, secure location away from your business? |

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you (or your web site host) back up all critical web site data and all critical programs at least daily? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you (or your web site host) maintain a real-time "mirror image" of all site data, to which the operation can be transferred immediately to prevent any interruptions? |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you estimated how long it would take to restore the site after a data loss? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are your servers physically protected from unauthorized access, vandals, fire, water, earthquake, etc.? |

Internet/Web Site Security

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Have you installed anti-virus software on each employee's PC, all firewalls, and all e-mail servers? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a procedure to update all anti-virus software to the newest versions? |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you installed firewalls to prevent unauthorized access? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you (or your web site host) retain the services of a security specialist? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you (or your web site host) have a "security seal" from a reputable security certification organization? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you require the use of appropriate IDs, passwords, and other necessary security encryption to protect sensitive information and data? |

Web Site Administration

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you use a professional web site designer? |
| <input type="checkbox"/> | <input type="checkbox"/> | Has your legal counsel approved the web site and its content, including a privacy statement, disclaimers, etc.? |
| <input type="checkbox"/> | <input type="checkbox"/> | Does your web site post a formal privacy policy and a privacy statement which contains provisions for notice, choice, access and security? |

Web Site Administration (continued)

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Does your web site include a “privacy seal” from a reputable privacy certification organization? |
| <input type="checkbox"/> | <input type="checkbox"/> | If your web site includes a bulletin board or chat room, is it operated in a secure environment? |
| <input type="checkbox"/> | <input type="checkbox"/> | If you request or require medical, credit, financial, or other personal information from web site visitors, do you provide a certified secure web site? |
| <input type="checkbox"/> | <input type="checkbox"/> | If you sell, rent, or share customer information or mailing lists, do you notify customers that you are doing so, and give them an opportunity to have their information removed from the lists? |

Uninterruptible Power Supply (UPS)

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you (or your web site host) use an uninterruptible power supply (UPS) to protect key equipment and data in the event of a power failure? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you (or your web site host) have a reliable backup source of commercial or generator power for high-loss and mission-critical applications? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you (or your web site host) have a written power interruption and data recovery plan so that all personnel know how to safely power down the systems and protect key data files? |

5. DISASTER PLANNING – Be Prepared

Natural disasters such as hurricanes, earthquakes, wildfire, or floods can create major financial hardship for your business. What you do today to plan for disasters may make the difference between keeping your business or losing it. Research has shown that 43% of businesses never reopen following a disaster, with 29 percent more going out of business within two years.*

Inspect your business property and assess the potential impact of a natural disaster. If your business operates in an older building, have it evaluated by a professional engineer.

* *Disaster Recovery Journal*, as cited by Prolantech web site, October 3, 2001

How your building survives a natural disaster could have a big impact on keeping your business operating.

Despite your best efforts, and even if your business escapes the actual disaster, your business can suffer significant losses. For example, if one of your suppliers is affected, your source of goods or services can be cut off. If a major client is heavily affected, you may lose that source of revenue.

CHECKLIST – DISASTER PLANNING

Employees, Customers, and Others on Your Property

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have an emergency preparedness plan in place? |
| <input type="checkbox"/> | <input type="checkbox"/> | Can your employees react swiftly and responsibly to any emergency to which your business is vulnerable? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do your employees know your contingency plans in the event of a disaster? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have an updated list of emergency telephone numbers? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have plans in place to protect your employees and customers from injury on the premises? |
| <input type="checkbox"/> | <input type="checkbox"/> | If your income should be temporarily interrupted, do you have plans to retain key people for the period of interruption? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have contingency plans in case your employees are not able to return to work for a while after a disaster? |

Staying in Business

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Are funds or credit available to expedite recovery from a loss? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you know how and where you would relocate if the need arose? |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you made arrangements for alternative business facilities and supplies? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have flood and earthquake insurance? |
| <input type="checkbox"/> | <input type="checkbox"/> | If your income stops or declines in the aftermath of a disaster and additional emergency expenses mount up, do you have adequate business income (business interruption) insurance? |

Staying in Business (continued)

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Are you insured for “downstream” (customers) and “upstream” (suppliers) loss due to natural disasters? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have contingency plans if your business is dependent on any single supplier or country for essential goods or services who might suffer a major business interruption after a disaster? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have contingency plans if your business is dependent on a key transportation facility or utility that could be vulnerable to shutdown? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have contingency plans if your business is dependent on the operation of a single customer in case that customer suffers a major business interruption? |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you planned for these extra expenses to restore operations after a major loss?: |
| <input type="checkbox"/> | <input type="checkbox"/> | Clean up |
| <input type="checkbox"/> | <input type="checkbox"/> | Relocation |
| <input type="checkbox"/> | <input type="checkbox"/> | Loss of lease |
| <input type="checkbox"/> | <input type="checkbox"/> | Building and equipment rental |
| <input type="checkbox"/> | <input type="checkbox"/> | Additional labor |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have plans for how you will carry on the business in the event of the loss of key people, property, or critical equipment and suppliers? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are irreplaceable valuable papers, blueprints, accounts receivable, patterns, etc., secured from loss or duplicated in a safe, off-premises location? |

6. WORKERS' COMPENSATION – Safeguard Your Workforce

Workers' Compensation encompasses a wide range of risks, including general safety, chemical exposures, proper machinery use, and ergonomics/materials handling. To ensure that your employees remain healthy and productive, you need to be aware of workplace hazards and take steps to control them. Monitoring and attention to detail by management, supervisors and workers can help reduce, or even eliminate, Workers' Compensation risk.

If employees are injured, work with your medical provider to bring these employees back to work as soon as can be safely done. Identify alternate or modified work to accommodate the injury while it is healing. The key to a successful return-to-work process is maintaining communication with the injured worker so he or she can stay connected to, and part of, your business.

Use Ergonomics to Reduce Injuries and Increase Productivity

If you can, hire an ergonomist to evaluate any manual processes in your business for potential material handling problems. Many times an improvement in material handling reduces the possibility of injury and increases the efficiency of the operation. An effective ergonomics program may include:

- Encouraging employees to move and stretch periodically to relieve tired muscles
- Job redesign
- Reduction of loads
- Getting storage items off the floor and onto shelves
- Adjusting workstations
- Job rotation
- New equipment
- Automation

CHECKLIST – WORKERS' COMPENSATION

General Safety Guidelines

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Are floors mopped after hours to avoid slip and fall accidents? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are floors and aisles clear and in good condition? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are exits, entrances and walkways well marked, clear, and in good condition? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are elevators and escalators well maintained? |

Are emergency procedures planned and rehearsed for the following emergencies?

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Fire |
| <input type="checkbox"/> | <input type="checkbox"/> | Explosion |
| <input type="checkbox"/> | <input type="checkbox"/> | Power outage |
| <input type="checkbox"/> | <input type="checkbox"/> | Earthquake |
| <input type="checkbox"/> | <input type="checkbox"/> | Storm |
| <input type="checkbox"/> | <input type="checkbox"/> | Flood |
| <input type="checkbox"/> | <input type="checkbox"/> | Other situations unique to your business |

When There Is an Injury

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Are your employees trained to recognize and report hazards? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are your employees trained to take proper action if they injure themselves? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are your employees trained to respond to an injured customer or co-worker safely and correctly? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a formal return-to-work program to help injured employees get back to work as soon as possible? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is first-aid equipment and training adequate? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you investigate every employee injury to identify the condition(s) responsible, and then take steps to fix the causes? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you document your findings when investigating an employee injury? |

Ergonomics/Work Environment

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Have you analyzed individual jobs for their inherent hazards? |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you implemented appropriate controls to reduce or eliminate these hazards? |
| <input type="checkbox"/> | <input type="checkbox"/> | Does your equipment layout facilitate the smooth flow of work? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is illumination proper for all tasks? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are workstations designed to fit or are they adjustable for the operator? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are your employees instructed to use mechanical lifting aids or ask for help, if necessary, when lifting heavy or bulky objects? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do all employees who operate powered industrial trucks have the proper training and licenses to operate those vehicles? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a back injury prevention program which includes employee training in proper lifting techniques? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the lifting and handling of materials minimized through good engineering? |

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a process or policy so that employees can report uncomfortable working conditions and get help in changing those conditions? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you provide material handling devices and promote their use? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is the work environment free from excessive noise, dust, vapors, etc.? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are toxic and hazardous materials identified? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do employees know how to protect themselves from toxic and hazardous materials? |
| <input type="checkbox"/> | <input type="checkbox"/> | Is appropriate personal protective equipment provided and used? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are employees properly trained on selection, fit, use, and maintenance of personal protective equipment? |

Safe Use of Machinery and Materials

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Have you evaluated all machine safeguards to ensure that they prevent workers' hands, arms, and other body parts from making contact with dangerous moving parts? |
| <input type="checkbox"/> | <input type="checkbox"/> | Are your employees encouraged to report missing, damaged, or inadequate safeguards? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a policy prohibiting the removal or disabling of any guards? |
| <input type="checkbox"/> | <input type="checkbox"/> | Have you established lock out/tag out procedures and trained employees to understand and follow them? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you review and update lock out/tag out procedures annually or whenever a process or machine is changed or added? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you prohibit loose clothing, ties, long hair, or dangling jewelry around machinery that has moving parts? |

7. MOTOR VEHICLES – Steer Clear of Accidents

You can manage motor vehicle risks effectively. Your commercial vehicle insurance premium can account for a large portion of your overall insurance cost. And your motor vehicles represent many types of risks in one place – loss of goods, loss of sales, liability to persons, and injury to your employees. To reduce these risks, verify driving records of potential employees, monitor employee driving records, and keep your drivers properly trained.

CHECKLIST – MOTOR VEHICLES

Your Drivers

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you carefully screen potential drivers in your employ, obtaining Motor Vehicle Department and police checks from any and all states where the person has lived or worked? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you annually review Motor Vehicle Records (MVRs) of drivers who are currently employed by the company? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you require training, road testing and certification (if appropriate) for on- and off-road vehicles? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you watch for personality traits (such as aggression or hostility) in your drivers and require behavior modification training? |
| <input type="checkbox"/> | <input type="checkbox"/> | If problems are found on a driver's record, is it your policy to remove him or her from a driving position? |
| <input type="checkbox"/> | <input type="checkbox"/> | Once you hire good drivers, do you keep them properly trained? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you limit non-business use of your vehicles? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you offer special recognition to encourage better driving? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you provide a reasonable driving schedule that eliminates the temptation to speed, complete paperwork while driving, or engage in other poor driving habits? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have policies prohibiting speeding and use of radar detectors? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a policy requiring that drivers use seat belts when using company vehicles or when using their own vehicles for company business? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have policies and procedures regarding cell phone use? |

Prepare for Accidents

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you require your employees to report all accidents, no matter how minor? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you educate your employees about proper procedures following an accident? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you require an accident report kit to be kept in every vehicle? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you investigate the causes of all accidents? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you use the results of your investigation as an opportunity to retrain your drivers on key points? |

Establish a Vehicle Maintenance Program

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you have a comprehensive, well-documented vehicle maintenance program that directly involves employees? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you require vehicle condition reports and pre- and post-trip inspections that can identify problems before they turn into accidents or breakdowns? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you conduct preventive maintenance (such as changing the oil) to keep the vehicles in safe driving conditions? |
| <input type="checkbox"/> | <input type="checkbox"/> | Do you conduct demand maintenance (such as replacing broken wiper blades) on an as-needed basis? |

Protect Your Vehicles

YES NO

- | | | |
|--------------------------|--------------------------|---|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you concentrate your security measures on vehicles stored on your property and the areas where they are loaded and unloaded, to prevent theft and vandalism? |
|--------------------------|--------------------------|---|

Fight Driver Impairment

YES NO

- | | | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Do you prohibit substance abuse in any form? |
| <input type="checkbox"/> | <input type="checkbox"/> | If intoxication or substance abuse is proven, do you mandate counseling or treatment for these drivers and remove them from driving positions? |

Analyzing Your Risk

Now it's time to review your answers to the seven check lists. Take note of where you answered "No" to any question. These areas indicate action assignments for you and your employees. The sooner you start to take control of these potential hazards, the safer your employees, customers, vendors, neighbors, and your business assets will be.

Keeping Up To Date

Like any other aspect of managing your business, risk management is an on-going, ever-changing process. As your business grows, so do the risks. As your business changes direction, new risks may arise. For example, a new product or a new service may create new risk. To be prepared, you must constantly review your risks just as you would constantly review your financial performance. Update your Risk Management program, and be sure to train all affected employees so they can support your efforts.

Getting Help With Risk Management

Your Agent Can Help

A small business is not able to absorb losses like a big business. Our economy depends on small businesses, yet small businesses are more vulnerable when natural disasters, lawsuits, crime, serious injury, or accidents strike. Your insurance agent can help you identify and control risks before they become threats. And, of course, your agent can help you understand and obtain the insurance protection that is right for your business.

Other Risk Management Experts

Your lawyer, accountant, and local government agencies can also help you to identify risks. The first place to start is with your insurance agent, but other experts can help you understand your risk in these key areas:

- **Fire and Electrical Hazards:** Local fire department, fire marshal, gas and electric companies, fire sprinkler contractor, safety equipment supply companies, electrical contractors.
- **Crime:** Local police, chamber of commerce, security company, neighborhood crime watch committee.
- **Hazardous Materials:** Materials vendors, OSHA, state and federal agencies (environmental protection, public health).
- **Embezzlement:** Your accountant, your banker.
- **Liability:** Your lawyer.
- **Computer and E-Commerce Security:** Your computer vendor.
- **Machinery and Building Fixtures:** Electrical and ventilation contractors, civil and mechanical engineers, contractors and suppliers of specific machinery and services.
- **Trade-Specific Risks:** Other business people in your trade, national and local trade associations.
- **Occupational Safety and Health:** OSHA, federal and state agencies (labor, public health), trade and business safety organizations, your insurance agent or insurer's loss control consultant.

Handling Insurance Claims

Unfortunately, sometimes even the best-run business can experience accidents, thefts, or other losses. If you need to file an insurance claim, you can take these steps to ease the claims process and to protect your business.

Always Have Important Information Ready

Being prepared *before* you have a loss is an important step in the claims process. It can save a great deal of time, effort and stress in the event you need to make a claim.

- **Inspect and inventory your property.** Make a physical inventory of all your property, and take photos or videos to supplement written records. Being able to verify ownership of your property is key to any property claim. Inspect your property regularly to document its conditions both inside and out.
- **Keep insurance information handy.** Have your insurance policy number and claims contact information easily accessible. Keep one copy of this information at your business site, and one off-site.

In the Event of a Loss

Having specific procedures in place in case of an accident or other emergency will smooth the claims process. Here are some practical actions to take when such an incident occurs:

- **Provide medical help.** If there is a medical emergency, get immediate medical help for any injured person.
- **Collect information.** Obtain the contact information of anyone who witnessed the incident, and share it with the proper authorities. Show genuine concern, but never discuss liability or fault. That is the job of your insurance carrier.
- **Take a picture.** Pictures of possible defects or other property damage can sometimes make a big difference in adjusting a claim. Take a picture or make a video of the place where the incident occurred. Note possible contributing factors, such as weather, lighting, etc.
- **Protect the scene.** Secure the accident scene to prevent people from entering the area. Redirect people away from affected walkways or parking areas.

- **Prevent further damage.** Make sure no further damage can take place. For example, cover windows broken in a storm with plywood as soon as you can to prevent vandalism, rain damage, and further loss of value of your property.
- **Secure a defective product.** If a defective product or machine is involved in the claim, protect it so that it can be examined later. Make sure that no one can use it, remove it, tamper with it, or alter it.
- **File the claim.** Call your insurance company immediately to report the incident. Claims professionals are experienced in helping businesses recover from a losses. They can provide helpful advice about your loss and guide you through the claims process.

No one expects to have an accident. But by being prepared – both before and after the unexpected happens – you can help to protect your business *and* make your claims process as easy and straightforward as it can be.

Finding More Information

Government Agencies

BLS Bureau of Labor Statistics Home Page

<http://www.bls.gov/>

BLS Safety and Health Statistics www.bls.gov/iif/

CDC Centers for Disease Control and Prevention

<http://www.cdc.gov/>

CPSC Consumer Product Safety Commission

<http://www.cpsc.gov/>

DOL Department of Labor <http://www.dol.gov/>

DOT Department of Transportation <http://www.dot.gov/>

EEOC Equal Employment Opportunity Commission

<http://www.eeoc.gov/>

EPA Environmental Protection Agency <http://www.epa.gov/>

FDA Food and Drug Administration <http://www.fda.gov/>

FHA Federal Highway Administration

<http://www.fhwa.dot.gov/>

FMCSA Federal Motor Carrier Safety Administration

<http://www.fmcsa.dot.gov/>

FEMA Federal Emergency Management Agency

<http://www.fema.gov/>

NHTSA National Highway Traffic Safety Agency

<http://www.nhtsa.dot.gov/>

NIOSH National Institutes for Occupational Safety and Health <http://www.cdc.gov/niosh/homepage.html>

OSHA Occupational Safety and Health Administration <http://www.osha.gov/>

USFA United States Fire Administration

<http://www.usfa.fema.gov/>

Small Business Administration <http://www.sba.gov>

Safety Organizations

ACGIH American Conference of Governmental Industrial Hygienists <http://www.acgih.org/home.htm>

AIHA American Industrial Hygiene Association <http://www.aiha.org/>

ASSE American Society of Safety Engineers <http://www.asse.org/>

IBHS Institute for Business and Home Safety <http://www.ibhs.org/ibhs2/>

IIHS Insurance Institute for Highway Safety <http://www.hwysafety.org/>

NFPA National Fire Protection Association <http://www.nfpa.org> Managing Your Risk: – The Smart Approach to Protecting Your Business Page 23 © 2004 The Hartford Loss Control Department TIPS S 520.607

NSC National Safety Council <http://nsc.org/>

Standards Organizations

ANSI American National Standards Institute <http://web.ansi.org/>

Global Engineering Documents (index and vendor for most standards) <http://global.ihs.com/>

UL Underwriters Laboratories <http://www.ul.com/>

Other Sources

National Emergency Management Association <http://www.nemaweb.org>

ILO International Labour Organization <http://www.ilo.org/public/index.htm>

American Red Cross <http://www.redcross.org>

For more information, contact your local Hartford agent or your Hartford Loss Control Consultant. Visit The Hartford's Loss Control web site at www.thehartford.com/losscontrol

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