

“Industry Expert: Risk Management & Commercial Insurance”

What is the current state of the property and casualty insurance market...?

Across the board, pricing remains soft. Work comp rates continue to decline rapidly, property rates are still steadily declining, but not as quickly as Comp. Auto remains the most competitive market, especially in light of recent advertising campaigns that market Auto insurance as commodity to be regularly shopped for discounts.

Management Liability pricing remains consistent, with little or no fluctuation. The bulk of General Liability classes are still experiencing about a 10% decline in premiums.

In addition to soft pricing, underwriting is also fairly accommodating. Special coverage requests are often granted for minimal cost in this market.

What are common gaps in commercial insurance programs that business owners should be aware of?

The largest gaps that we see are generally in Management Liability exposures (Employment Practices Liability, Directors and Officers coverage, Fiduciary coverage, etc), Pollution Liability, Equipment Breakdown (formerly called Boiler and Machinery), and properly insured electronic data processing equipment.

Which property and casualty insurance products are least understood by the insureds...?

Business Interruption coverage is probably the least understood coverage by both brokers and insureds, and the most difficult to adequately insure. The premise of insurance is to protect against worst case scenario, but worst case scenario is often difficult to visualize. Most insureds, when coming up with a projection for limits on business interruption coverage, tend to look at best case scenario, and how quickly they can get up and running assuming all conditions are favorable. When in reality, this is the most important coverage when everything goes wrong. This is the coverage that will keep you from having to permanently shut your doors.

An adequate extra expense limit and sufficient period of restoration for business income coverage are absolutely critical to a business's sustainability after a catastrophic loss.

What are executive liability exposures...?

Typically executive liability falls into four categories. Directors & Officers Liability, Professional Liability, Employment Practices Liability, and Fiduciary coverage.

Which industries or trades most frequently have a professional errors & omissions exposure yet might not carry professional errors & omissions liability insurance...?

Consultants, typically and most prominently energy consultants. Because they aren't contractually or legal obligated to carry this coverage, if it's not required by the general liability carrier, most insurance brokers don't think to mention it and most insureds don't realize they have the exposure.

Which industries or professional trades require specialized commercial insurance expertise and not a broker who's a "generalist"?

Every one of them. Every industry has unique exposures. You're a specialist in your business and have every right to expect every professional you deal with is a specialist in your industry.

What changes have you seen in the commercial insurance industry in Alaska over the last fifteen years...?

I've seen two soft markets and a hard market, watched several insurance companies go bankrupt and dealt with the ramifications. I've seen companies come and go, underwriting appetites change with the seasons, but the one thing that's never changed is the need for people who understand not just the insurance industry and how it works, the coverages, etc, but someone who also understands their customers businesses and needs, and can effectively and successfully marry those two concepts.

What's the most important component of the risk management process...?

Risk identification. My main focus is to bring people out of the passive risk retention mindset, into active risk management and the only way to do that is to become aware of the risks that your business faces. If you don't identify it, you don't know it exists.

Why is reducing coverage in a tough economy not a great cost cutting measure...?

Your businesses viability depends on adequate reimbursement in the event of catastrophic loss. Reducing your insurance limits or eliminating coverages, rather than instituting an active risk retention program (ie. higher deductibles or intentional self insurance of low frequency and low severity potential exposures) and loss control, could ultimately cost you your business, instead of saving you a few dollars. Remember: insurance is there for worst case scenarios.

Expert Focus

Angela is a licensed commercial insurance broker in Alaska, Oregon, Texas and Colorado, working as a senior account executive for Business Insurance Associates, Inc and serving as current Vice-President of the firm. Over the last fifteen years, Angela has achieved numerous professional accomplishments and recognition, including the Certified Insurance Counselor (CIC), Certified Insurance Service Representative (CISR), and Certified Schools Risk Manager (CSR) designations from the National Alliance for Insurance Education & Research, the Certified Professional Insurance Woman (CPIW) designation from the National Association of Insurance Women (NAIW), and the Construction Risk Insurance Specialist (CRIS) and the Management Liability Insurance Specialist (MLIS) designations from the International Risk Management Institute (IRMI).

Pobieglo is the former President of the Insurance Professionals of An-

chorage (IPA), past State Director of the Alaska Council of the National Association of Insurance Women International (NAIW), 2005 & 2006 Insurance Professional of the Year from the Insurance Professionals of Anchorage (IPA), and past winner of the Region 9 Communicate with Confidence Award from the National Association of Insurance Women (NAIW).

In the past she has served as an expert defense witness in civil court cases, taught commercial insurance and risk management classes for the Procurement Technical Assistance Center (PTAC) and the Small Business Development Center (SBDC), spoken at conferences and workshops on design professional liability and disaster preparedness for Engineers in Private Practice (EPP) and ASIS International, and been published in Cambridge's Who's Who of Professionals.

Angie is a member of Associated General Contractors (AGC), Associated Builders & Contractors (ABC), Anchorage Home Builders Association (AHBA), National Association of Home Builders (NAHB), the Anchorage Chamber of Commerce, Alaska Center for the Environment (ACE), Denali Safety Council, Green Star, Renewable Energy Alaska Project and Zonta International.

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