



# AlperGram

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**BUSINESS, FINANCIAL & INSURANCE SOLUTIONS**

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## The Risk Exposure

Our prior AlperGram discussed how your Claim History affects the insurance premium pricing formula:

$$C \times E \times M = P$$

**Claims x Exposure x Marketing = Premium**

In this second part of the series, we examine your Exposure to Loss and its impact on your premium and coverage.

Exposure is anything and everything that can cause a financial loss to your Company (except claims). In order to identify your Exposure, you must carefully analyze your company operations, beginning with a thorough understanding of what you do and how you do it. For example, a manufacturer will need to examine how raw materials flow through its processes, where those materials come from, how many supply sources it has, what modes of transportation it uses, where the supply originates, among many other things – each stage in your process presents an Exposure to Loss.

Every company, regardless of its specific type of business, has Exposures arising from contracts which may shift risks and assign responsibilities – do you know to what risks your contracts expose you? Do they include hold harmless clauses or require you to indemnify the actions of others? What about your labor contracts; are you using temporary workers, or have union employees? What types of safety programs, policies and procedures do you have in place?

Your Exposure to Loss changes over time and in your regular course of business. The best way to identify your Exposures is to have a procedure in place. On a regular basis, you and your insurance broker should review Exposures arising from your business processes, your contracts, and your physical facilities.

Once you have identified your Exposures to Loss, you can then determine what to do about them. For example, you may be able to eliminate an Exposure altogether, or you may be able to slightly alter a

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## A Large Claim Resolution

We pride ourselves on Client advocacy, unparalleled service and creative problem solving. Recently, we helped a Client resolve a potentially large claim.

The Client, an international logistics company, specializes in the installation and alignment of medical imaging and diagnostic systems. Last winter, the Client was hired as a subcontractor to remove a used Computer Tomography (CT) system, transport it to nearby state, and then re-install it.

The Client had its most senior technician install and test the CT at its new location without incident. Later, the subcontractor alleged that there was water damage to the CT's main magnet and blamed the Client for leaving water in the cooling systems. They claimed it froze during the moving process and caused a crack in the pipes. The damage was estimated at over \$500,000.

Our Client called in our Chris Breck. The company president was adamant that the problem with the CT could not have been caused by the Client, but was more likely caused by someone incorrectly using it after the CT had been installed and tested.

Chris took this information back to Alper's in-house attorney, who gathered as much information as possible, including going out to personally inspect and photograph the damaged CT. Alper Services then presented the claim to the Client's insurance carrier with instructions that it be fully investigated and with evidence that the Client was not at fault.

The Client was in a difficult position . . . it did not want to be found responsible for damage that it did not cause, but it



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## Employee of the Quarter



### CHRISCHIEN SHERROD


Chrischien Sherrod joined Alper Services as a temporary Receptionist in 2004. She did such an outstanding job that in February 2005, we hired her as a full-time Team Member. Chris was later promoted to Commercial Account Assistant in our Central Processing Unit, where she has many duties relating to policies and Client Services.

Chris is a graduate of Lewis College in Romeoville, IL, and holds a B.A. in Human Resources. She resides on the north side of Chicago, and her many interests include jogging, exercising and cooking.

Chris continues to be a real asset to Alper Services, as exemplified by her willingness to go the extra mile to help our Clients. She always has a positive mental attitude, a smile on her face, and is a true pleasure as a co-worker. We anticipate Chris being an Alper Team Member for many, many years. 


## The Risk Exposure *Continued*

procedure to reduce the Exposure. Your Exposure review should include a cost benefit analysis. You and your insurance broker should examine the coverages available for each identified Exposure to determine whether it is necessary. Not every Exposure requires insurance, but if you fail to conduct a thorough Exposure review, you may end up with uncovered losses – in other words losses covered out of your pocket rather than by the insurance company.

Exposures to Loss should be re-examined with each renewal or any substantive change in your business. Do not assume that this year's Exposures are the same as last year, or that your insurance coverage should be the same as last year. An expert review of your Exposures to loss, and how those Exposures are covered, can keep your business running if you're faced with a serious loss. 

## Claim Resolution *Continued*

also did not want to jeopardize its business relationship with its long-standing customer.

Alper acted as the liaison between the Client, its customer, the insurance company, the attorneys, and the manufacturer. Ultimately, the manufacturer covered the costs of repair under the warranty and everyone was satisfied. Our Client was very happy with all of the assistance they received from Chris Breck and Alper Services. 

The information in this newsletter is provided for general information only. Specific implementation and action should be undertaken only after individual consultation with Alper Services and/or legal advisor.

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