

# The Businessowner's Policy

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Since its inception, North American Risk Services has handled Businessowner's policy (BOP) claims for numerous small to mid-sized businesses. We have found that policyholders with BOP have specific advantages.

BOP was created to package various insurance coverages into a single policy specifically geared to meet the needs of various small business owners. Before its creation by Allstate in 1974, business policies were stand-alone or monoline. BOPs began to be written on unique coverage forms with special features that provided advantages for qualifying businesses.

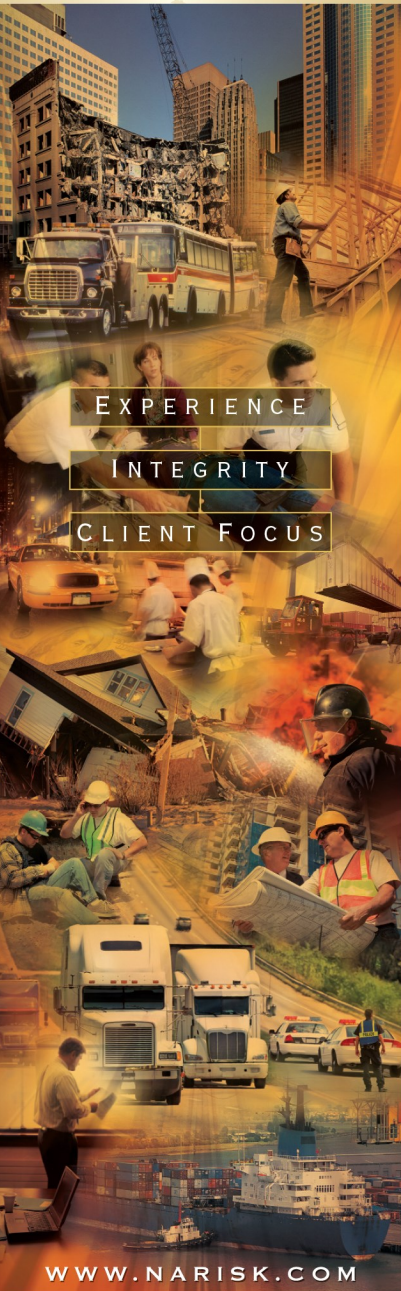
The Insurance Services Office, Inc. (ISO) and the American Association of Insurance Services (AAIS) began to offer BOP policies for their member carriers. Today many carriers also have their own BOP programs. North American Risk Services provides claims services for carriers writing BOPs on ISO, MSO and manuscript forms.

Qualifying companies generally face the same kind and degree of risk. Even larger companies today often purchase commercial package policies or custom policies to meet their unique risks. The advantage of a BOP is that a business can specifically tailor the policy to provide protection most fully suited for the business.

For example, if an apartment building owner experiences a fire that resulted in collateral damage to neighboring properties, the same BOP policy will be able to respond to both first party property damage to the owner's own building as well as any third party liability claims made. The first party section provides coverage for the building as well as Business Interruption, debris removal, and other related damages.

If third parties should present a claim for damages from this fire, the policy will also provide the necessary defenses including necessary experts as well as defense counsel should a lawsuit be filed. The obvious advantage is that both first and third party claims can be covered under one policy with one premium instead of two or more. This also streamlines the claims handling process, as the handling adjuster has the entire policy with all coverages available in one document, allowing an expedited review.

There are some coverages that are not included in a BOP. For example, a BOP will typically not cover Workers Compensation, Health, Life, and Disability Insurance, Auto Insurance for owned vehicles, and coverages which are specialized in nature, such as professional liability, malpractice, and employment practices liability.



However, as stated above, there are many coverages a BOP can add into the policy, depending on the needs of the business. For example, some BOPs provide coverage for non-owned and hired auto liability for vehicles a business or its employees rent or borrow, usually if the insured business does not own its own vehicles.

A BOP can also include Employment Practices Liability Insurance (EPLI) for coverage to employers covering claims made against them by their employees, such as wrongful termination, harassment, discrimination, and other employment-related allegations.

We have seen in recent years an increase in employment-related litigation. A larger company will normally have a legal department or some form of in-house counsel to respond to such matters. However, a small to mid-sized business, particularly newer businesses, may not be equipped to respond to the numerous potential allegations presented today.

A common example would include a recent hire that is terminated due to poor job performance, but alleges wrongful termination. Even an interviewee that does not get the job may allege discrimination as the reason. We have also seen an increase in certain attorneys that specialize in filing such litigation against businesses. This is an example where including EPLI as an endorsement in the BOP would be helpful.


BOPs also provide Directors and Officers (D&O) Insurance for the directors and officers of a company, as well as Trustees and Fiduciaries Liability, which provides protection from wrongful acts by a Trustee.

If a business specializes in professional advice and services, such as attorneys, accountants, engineers, or medical professionals, these businesses can purchase Professional Liability Insurance (PLI) as an endorsement to a BOP policy. PLI is also referred to as Errors and Omissions (E&O) coverage and protects such businesses against allegations of negligence by its clients. The allegations often made are not typically covered in a General Liability policy, which is why PLI would be an invaluable protection against risk. Including such coverage as an endorsement to a BOP would be more economical to a business than purchasing these coverages separately.

There are other coverage protections available as well. For example, a business can add Utility Service Interruption coverage to protect against a lack of incoming electricity caused by damage from a covered peril to property away from the insured premises, which would normally involve a utility station. Businesses in areas with a higher risk for power outages can add such an endorsement to their BOP policy. We often receive claims for Consequent Loss Coverage (Spoilage) caused as a result of disruption in power from a loss of Utility Services. When the insured has a BOP policy, this coverage is normally included.



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A company that relies on hard copies of records may want to protect these records in the event of certain perils. This company can add a Valuable Papers endorsement to a BOP policy. These papers would include loan documents, medical records, and contracts. Even a company in the conversion process to electronic filing would benefit by having a Valuable Papers endorsement during the transition.

Finally, a business that stores or handles confidential information of any kind is under constant threat of a data breach. These businesses can add a Data Breach Coverage endorsement to their BOP policy. This coverage will pay not only for defense of suits by the customers but will also pay for the costs to notify affected clients.

In summary, a BOP is a creative, cost-effective means for small and mid-sized businesses to protect themselves against risks unique to their field. Any qualifying business, particularly new businesses, would be well served to consider a BOP for their business. Since many of the leading insurance carriers offer BOPs today, they are also much easier to find.

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### ABOUT THE AUTHOR

David Trawick has over three decades of diverse claims and risk management experience with both carriers and third party administrators. He has both adjusting and supervisory experience in multiple lines, including inland marine, toxic tort, civil rights, sexual harassment, boiler/machinery, employment liability, homeowners, commercial/personal auto, GL, and products liability.

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