

# Legal & Insurance Issues

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# What Is Insurance?

- **Pooling of Risk**
- **Provider Types**
  - ◆ **Risk Pools**
  - ◆ **Mutual Insurance Companies**
  - ◆ **Stock (for profit) Insurance Companies**

# TERMS

- **Premium**
- **Policy**
- **Agent/Broker**
- **Actuary**
- **Underwriter**
- **Reinsurer**
- **Claim**

# Components of a Premium

- **Cost of the risk**
- **Administrative costs**
- **Profit/return of premium**

# Consultant Insurance Needs

- **Errors & Omissions (E&O)**
- **Disability**
- **Health**
- **Life, owner & key employees**
- **Property/Casualty**
- **Liability**
- **Motor vehicle**
- **Business interruption**

# Motor Vehicle Issues

- Automobiles/vehicles
  - ◆ Use of personal vehicle for business
    - ☞ Business use rider/endorsement
  - ◆ Authorized drivers
  - ◆ Authorized passengers
  - ◆ Pulled vehicles
    - ☞ Ownership
    - ☞ Insurance coverage

# Policy Issues

- Read it!
- Exclusions
- Riders
- Ask questions

# Other Issues

- Prompt notice of potential claims
- Share insurance information on a need to know basis
- Coverage level
  - ◆ Defense
- Deductible

# NC Department of Insurance Services

- MAP (919) 733-9811
  - ◆ Assistance finding insurance
  - ◆ Regularly licensed companies
  - ◆ Surplus lines
- Unauthorized insurance
  - ◆ 1-800-546-5664 Consumer services
  - ◆ (919) 733-7487 Agent services

# Conclusion - Insurance

- Develop comprehensive approach
- Provide/take adequate training
- Balance risks and benefits
- Review insurance policies carefully

# Risk Management Model

- Risk Identification
- Risk Evaluation
- Risk Treatment
- Selection and Implementation
- Program Monitoring

# Risk Identification - Types of Risks

- Property damage/loss/theft
- Loss of income/business interruption
- Human resources
  - ◆ Employee injury and illness
  - ◆ Key employee
- Legal liability
  - ◆ Tort & other judgments
  - ◆ Defense costs
  - ◆ Regulatory

# Risk Evaluation

- Low-Severity, Low-Frequency, retain
- Low-Severity, High-Frequency, retain
- High-Severity, Low-Frequency, transfer
- High-Severity, High-Frequency, avoid or transfer

# Risk Treatment (Control)

- Contingency planning
- Compliance
- Incident reporting
- Risk financing
  - ◆ Retention
  - ◆ Transfer

# Selection and Implementation

- Selection and implementation of specific control and financing techniques or each risk

# Program Monitoring

- Performance standards
- Measure actual practices against standards
- Take corrective action