



Legal Edge

ORisk Is OReady (OReally)

One risk you can't afford to pass up!



by Kent J. Pagel & Libby Maurer

We can all agree that risk management training for building component manufacturers isn't necessarily the sexiest thing in the world. However, it may very well be one of the most important investments you ever make to ensure the success and longevity of your business. Sexy or not, now there is an efficient and effective way for your employees to be exposed to critical concepts, education and training in risk management. ORisk, an online risk management training course tailored specifically to building component manufacturers, is set for release in just a few weeks—really!

The most frequent question with regard to ORisk has been, Who in my company should take this course? Unfortunately, the answer is not as cut and dry as you might expect. We asked Becky Harrison, COO of True House, how she intends to use ORisk as a risk management tool. Her answer? "We are not big enough to have designated risk management personnel, so we plan on making this an orientation requirement for our mid-senior management groups." An orientation requirement? Before you dismiss the notion as too extreme, let's take a look at why Becky's idea merits consideration. First, she explains that "there are too many ways risk can come through the door, so you better understand what those risks are." She couldn't be more correct; the vast majority of component manufacturers aren't even aware what their biggest risks are. So from a risk awareness standpoint, ORisk is invaluable.

Aside from new hires in middle to upper management positions, who else can benefit from the course? "Anyone who answers the phone needs to go through Risk 101 so that they understand risk," she says. Another excellent point, Becky. The Risk 101 track—along with a second track called Insurance 101—provides a fundamental platform of risk management concepts. Think of these tracks as the "atoms," or building blocks in the creation of a solid body of risk management knowledge. The people taking calls are most likely the first line of communication between your company and one of its greatest sources of risk: the customer. By playing this role, they are often the first to deploy risk management tactics. (Turn to page 38 to take the Risk and Insurance knowledge assessments.)

What about employees who need to learn advanced topics in managing risk and avoiding liability—is content available for these folks? Becky says first things first. "We have to have everyone in the game understanding risk as a basic concept, and further into the game, bidding and successful customer contract negotiations will be good exercises for my managers." She's referring to the three tracks contained under the umbrella of Customer Contracts—Bidding, Risk Transfer and Successfully Negotiating a Customer Contract. Salespeople and management personnel will find these tracks especially helpful in their daily interaction with customers and contract forms. (Turn to page 38 to take the Customer Contracts & Negotiation knowledge assessment.)

Go ahead; force yourself to consider the sheer number of employees at your operation that handle risk in the course of their work every day. And then give some serious thought to how prepared they are to make the right decisions to minimize those risks.

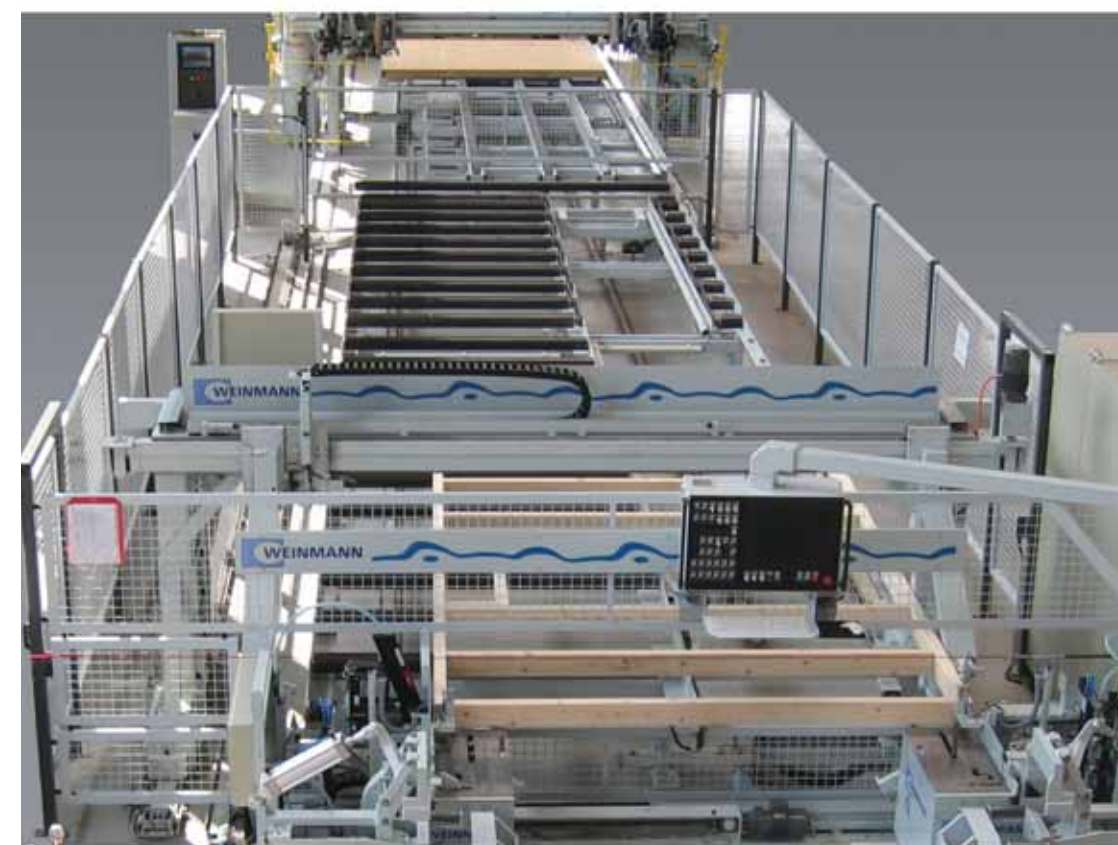
Check out www.sbcindustry.com/orisk.php for more information about ORisk and to view demos of each of the tracks. For additional questions, contact Libby Maurer at Imaurer@qualltim.com.

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risk assessment: Consider the following questions and statements as you evaluate how to participate in ORisk. Respond below to find out which tracks are of most benefit to your company.

**Risk Management
Knowledge Assessment:**

1. Do you know the elements of an effective risk management program?
2. Do you understand the sources of risk and common types of risks that your company faces?
3. Do you know what to do if your company is sued?
4. Do you fully understand these concepts and the risks associated with these concepts: contracts, warranties, negligence, and product liability?
5. Has your company developed a company-wide risk management philosophy and communicated it to all appropriate company employees?



If you answered "no" to any of the above questions, the following groups of employees should benefit from any of the five tracks within ORisk: every company owner, every company manager (including middle managers), anyone with responsibility regarding insurance, anyone involved in sales, and clerical and administrative staff who interact with customers. The first five tracks include: *Risk Management 101*; *Insurance 101*; *Bidding and Terms and Conditions of Sale*; *Builders' Risk Transfer Provisions*; and *Successfully Negotiating the Customer Contract*.

**Insurance
Knowledge Assessment:**

1. Do you know the various types of insurance policies your company carries and why?
2. Do you know the types of claims covered by insurance and those claims not covered by insurance and why?
3. Do you understand how to review a certificate of insurance to determine the name of the insurance carrier, the carrier's insurance rating, the limits of liability; coverage exceptions and exclusions, and additional insured endorsement availability?
4. Do you know whether your company can comply with a customer's request for \$2 million occurrence and aggregate limits, waivers of subrogation, professional liability coverage, and a "your work" additional insured endorsement?
5. Do you know the drivers that determine insurance premiums and what your company can consider to reduce premium expenses?

**Customer Contracts & Negotiation
Knowledge Assessment:**

1. Have you developed a bid or proposal form with terms and conditions specifically applicable to the risks existing for structural building component manufacturers?
2. On each sale, do you effectively limit your design responsibilities to be in accordance with ANSI/TPI/WTCA 4-2002; and if not, do your customers agree with your scope of work and agree to pay you for the additional risk assumed?
3. Do your product warranties clearly state: (1) the scope and duration of warranty; (2) the application of the warranty to only manufactured products; (3) the language required to disclaim implied warranties; and (4) a limit to the remedies of your customers in the event of a breach of warranty?
4. Do you always understand the meaning of the indemnity provisions "offered up" by your customer and effectively limit the risks assumed under such indemnity provisions?
5. Do you understand the insurance coverages required by your customers and why, know what insurance you have available to you, and effectively cause your customer to agree with the insurance coverages you can provide?





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