

Η ΔΙΑΧΕΙΡΙΣΗ ΤΟΥ ΝΟΜΙΚΟΥ ΚΙΝΔΥΝΟΥ ΤΩΝ ΕΠΙΧΕΙΡΗΣΕΩΝ
LEGAL RISK MANAGEMENT



Managing Legal Risk with Insurance Contracts

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Legal risks and insurance products

- General liability
- Professional Liability
- Fines (where possible)
- Legal expenses
- Liability extending to individuals
- Product liability

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Managing legal risk

- Risk management is the process of identifying, quantifying and managing the risks that an organisation faces.
- Four main ways to manage risk:
 - Risk Avoidance (elimination of risk)
 - Risk Reduction (mitigating risk)
 - Risk Retention (accepting risk)
 - **Risk Transfer (insuring against risk)**

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Risk Transfer (Insurance)

- Insurance is *“an arrangement by which a company or the state undertakes to provide a guarantee of compensation for specified loss, damage, illness, or death in return for payment of a specified premium.”*
- In 2013 European insurers paid out €952bn in benefits and claims. That is equal to €2.6bn being paid out to people and businesses every day.

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Why buy insurance

- To meet a legal or regulatory requirement
- To put a customer or business partner at ease
- To get access to an insurer's claims handling and risk management expertise
- Buying insurance does not mean a company is unable to meet a financial obligation arising from the materialisation of a legal risk but that it manages its financial exposure

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Types of Insurance (1)

- **Professional Indemnity Insurance**
 - To cover the risk of your client bringing a negligence action against your business.
- **Employer's Liability Insurance**
 - To cover the risk of an employee claiming against your business for injury or illness as a result of their work.
- **Directors' & Officers' Insurance**
 - To cover the risk of claims made against your business' directors and key managers for alleged wrongful acts, i.e. breach of trust, breach of duty, error, misleading statements, wrongful trading.
- **Crime Insurance**
 - To cover the risk of employee fraud, dishonesty and fraudulent acts committed by third parties.

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Types of Insurance (2)

- **Public Liability Insurance**
 - To cover the risk of member of the public being injured or their property damaged because of the business.
- **Cyber Liability Insurance**
 - To cover the risk of data breaches, computer hacking, cyber terrorism, computer viruses, employee sabotage & identity theft.
- **Environmental Insurance**
 - To cover the risk of claims for injury and/or property damage resulting from environmental damage caused by your business.

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Insurance considerations

- Insurability of the risk
- Deductibles
- Exclusions to coverage
- Tailored products
- Policy limits

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Points to note

- International presence (physical or virtual including exporting)
- Liability of directors and executives
- Choice of lawyers/advisors
- Traditional products not covering new risks
- Risk managers and management misjudging the legal risk and thus not including the right deductible
- Third party insurance: see the contract and ensure the cover matches the legal risks you have identified

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Cyber insurance case

- Cyber crime risk a top Board priority
- Inhouse resources often not adequate
- Legal risk apparent (data privacy liability, data loss, income loss, reputational aspects etc.)
- New insurance products
 - Focus more on the advisory and crisis management aspects
 - Tailored cover to include aspects of traditional insurance (general liability aspects, property loss etc.)