

Facing New Liabilities in an Economic Downturn

While feared by some, the inherent uncertainty of economic downturns is often seen as a cyclic elimination of inefficient businesses and as a chance to expand and seize market shares relinquished by weaker competitors. However, companies that do weather tough times relatively unscathed could still find themselves facing uninsured risks in the long term. **Schauer Group has compiled these tips for coming out of the economic downturn to keep your business prospering well into the next economic cycle.**

About Your Partners

It's no secret that the financial security of your business hinges on that of your partners, vendors and suppliers and that in tough times, everyone is looking for a way to cut costs.

Never rely on the insurance coverage of your business partners to protect your assets or protect against third-party liability claims. In the event of financial insolvency, a business's partner organizations could eventually be held liable for claims filed against it. Even healthy, well-insured partner organizations are no substitute for comprehensive liability coverage for your business.

Ultimately, in order to protect your company, it may be a wise long-term investment to expand your coverage limits. While it may be tempting to cut costs by limiting coverage, you could risk paying out of pocket for hefty claims or settlements.

An important way to protect your company from the enormous cost of specialty trade contractor failure, is to transfer the risk of project completion through surety bonds.

Secure Seamless Contracts

In a turbulent economic climate, it is more important than ever to have thorough, seamless contracts. They should clearly outline the obligation of each party and discuss dispute resolution policies so that if something goes wrong, you avoid a messy and expensive disagreement.

It is never a good business decision to sign a contract hastily, but especially in a difficult economic time, be sure to look into all the risks and legal ramifications. Small companies who partner with larger companies are

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often strong-armed into making decisions with which they are not completely comfortable.

Exploit Change with Caution

For many construction companies, change is the best way of reacting to an economic crisis. Offering new services or exploring different customer bases can be a crucial factor in surviving difficult economic times. While expanding in either of these ways can revolutionize your business and keep you afloat in tough times, it could also expose you to additional liability you had not dealt with before.

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When you experiment with new products or services, you will inevitably face a learning curve, which puts you at a larger risk of facing liability claims. You may want to consider purchasing additional lines of coverage to protect yourself, as your surplus lines insurance policy may only cover claims arising from existing projects or services.

Unexpected Consequences

By the same token, shifting or expanding your customer base may put you at risk of unexpected lawsuits. The same product or service may evoke disparate reactions in different sectors of the market. This is another instance in which it is important to be covered for potential liabilities resulting from a change in your business. Contact Schauer Group today to be sure your plan for escaping the economic downturn unscathed does not backfire.