

# 2020 Taught Us as Much as It Challenged Us: Lessons in Risk Management



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2020 may well go down in history as one of the most challenging years of the modern era. From the COVID-19 pandemic to civil unrest and a contentious political climate, this year required more flexibility and resilience from individuals and businesses than any in recent memory. Yet, these challenges also shed light on issues both old and new. And for those with an eye for opportunity, 2020 brought many lessons that can help grow and improve their businesses for the future.

Here are some things we learned about managing risk that we'll carry into 2021.

## Crisis Management and Business Continuity Planning

The disruption businesses in nearly every industry saw this year made one thing abundantly clear—you need a business continuity plan. It's essential if you want to be truly prepared for the future and safeguard your business.

If you don't already have a business continuity plan, make it a priority to create one in the new year. If you do have a plan in place, be sure to review and update it to include risks that emerged in 2020, including a global pandemic, civil unrest, rioting, and vandalism.

In our blog, "[Preparing for the Worst: Tips for Creating a Business Continuity Plan](#)," we explain how you can create an effective business continuity plan. To help get you started, we've broken down the process into five main steps, which are:

- **Identify your risk** – Conduct an analysis to identify potential risks and their likelihood.
- **Calculate the stakes** – Analyze the business impact of each potential risk.
- **Boost your security** – Implement procedures to safeguard against identified risks.
- **Practice, practice, practice** – Practice and test your procedures to make sure they work.
- **Check and recheck your work** – Periodically review and adjust your process to keep it up to date.

Creating a business continuity plan can be challenging, but it will be worth it to ensure the stability of your business. Remember, you can always reach out to your insurance agent or broker. They'll help you through the process and ensure you have the proper coverage in place.

## Social Inflation Is Real

Social inflation (i.e., when the price of insurance coverage increases because of what's going on in the world) can seem a little intangible as a concept. However, 2020 has shown that it is very real. Social factors over the last decade have resulted in not only harsher judgments, but also higher payouts in the court of law.

This seems to be driven primarily by three factors:

- **People distrust big business** – From issues of privacy to economic inequality, society has become less trusting of big business. This means jurors are more likely to side against companies in a suit. Plus, many states have rolled back tort reforms that aimed to reduce frivolous lawsuits and capped settlements. The result is an environment where it's easier to sue companies and win large settlements. This in turn drives up the costs of insurance claims and coverage.
- **It's easier to fund lawsuits** – It used to be that many plaintiffs were deterred from going to trial by the high cost of attorney fees. Now, third parties will cover the costs of litigation in exchange for a cut of the settlement. This leads to more lawsuits that go further, last longer and, ultimately, cost more.

- **Massive verdicts are the new norm** – Along with the cultural shift toward distrust for large companies, there's also a growing perception that companies can afford anything. This is why it's now common to see multimillion (or even multibillion) dollar settlements handed out by juries.

Fortunately, there are ways to mitigate your risk and prepare your business for the impacts of social inflation.

Commercial excess insurance provides coverage beyond the limits of your other policies. This ensures your business is able to cover the costs should you find yourself involved in one of the aforementioned large lawsuits. In addition, because employment practices are especially susceptible to social inflation trends, it's a good idea to purchase standalone employment practices liability coverage.

The single best thing you can do to prepare, however, is work with your insurance agent or broker. They'll walk you through coverages like the two mentioned above as well as how updating your company policies (e.g., sexual harassment, workplace violence, etc.) can help protect you.

## Trust, Productivity, and Increased Cyber Risks in a Remote Work Environment

It's becoming almost cliché to say, but the truth is—business will never be the same. When the pandemic hit, companies in every industry had to figure out new ways of doing business—and fast. One of the biggest shifts was moving employees to a work-from-home environment.

While the initial hurdles were technological, the most complex challenges were far more people-centric. Employees were suddenly thrust into a new situation,

facing social isolation, distractions at home, and a host of other difficulties. And employers had to figure out how to serve their customers and maintain productivity while also ensuring everyone stayed safe. Here are four tips to help you address the challenges that continue to arise from a remote workforce:

- **Communicate** – Speak to your employees about the business and plans for the future. Be sure to clearly explain expectations for their work.
- **Collaborate** – In general, employees are more engaged when they feel like they're part of a team. Ask for their input and suggestions for solving problems and give them opportunities to make meaningful contributions to the business.
- **Recognize** – When your employees succeed, recognize their wins. This might be a little harder in a remote environment, but it's important to find ways to let them share their successes, such as during team meetings.
- **Support** – Encourage your employees to maintain a good work-life balance and offer flexibility where you can. Schedule one-on-one meetings with your employees so you can check in to see how they're coping.

As more and more employees began working from home (i.e., outside the security of an in-office network), cyberattacks also became more prevalent. According to one [report](#), ransomware attacks jumped by 148% in March of 2020. It makes sense—the easiest way for a hacker to infiltrate your company is through your people. In another 2020 [study](#), nearly one in four respondents said their firm was the victim of a cyber event, yet only a little more than half said they have purchased a cyber insurance policy. That's why it's critical to take steps to protect your business from cyberattacks, including:

- Keep employees informed of known cybersecurity threats.
- Educate employees on security best practices.
- Create cybersecurity policies and hold employees accountable.
- Back up data and strengthen network protections to account for additional work-from-home risks.
- Purchase a cyber liability insurance policy.

To learn more about these and other steps you can take to reduce your cyber risk, read our blog, "[What COVID-19 Taught Us About Cyber Risk.](#)" And, as always, talk to your insurance agent or broker. Their entire business centers on keeping you safe. Be sure to review your current coverage to ensure you're adequately protected and have the proper cyber liability coverage in place. Your insurance provider is also a great resource for best practices to help you prevent an attack from happening.

## Competitive Bidding: How CMS Can Change Its Mind

In October 2020, the Centers for Medicare & Medicaid Services (CMS) announced the single payment amounts for the off-the-shelf (OTS) back braces and OTS knee braces product categories included in Round 2021 of the Competitive Bidding Program and began awarding contracts in certain competitive bidding areas. Thirteen additional categories were removed from the bidding program.

Industry stakeholders had requested CMS to delay or cancel the Round 2021 program due to the ongoing COVID-19 public health emergency, and the October announcement seems to indicate they listened. The news allows providers the ability to serve their communities, at least for the time being. We'll have to see what plans CMS announces in the future.

Providers already have to deal with a constantly changing reimbursement environment, and the pandemic only exacerbated the situation. Keep an eye on [cms.gov](https://www.cms.gov) for the latest updates. There are also resources available through VGM Government Relations at [vgm.gov.com](https://www.vgm.gov) to help you stay up to date and understand how policy and rules changes may impact your business.

## In Conclusion...

When so few things are certain, it's essential to prepare for the risks you can. Many businesses added incremental products, diversified their offerings, and changed the way they serve their customers and patients. These changes have helped many businesses stay afloat, or even thrive, during the pandemic. But new opportunities can bring new risks. Talk to your insurance provider about any changes in your business model to ensure you have the coverage you need.

*For more information about VGM Insurance's risk management resources, get in touch today at 800-362-3363 or [info@vgminsurance.com](mailto:info@vgminsurance.com).*

