Risk Management and Insurance

In a Sober Living Environment

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• Rich is a 30-year insurance industry veteran with extensive U.S. commercial underwriting and risk management experience
• For the past 14 years he has focused exclusively on insurance products and risk management programs for the Behavioral Healthcare industry
RISK = EXPOSURE TO LOSS

2 MAIN TYPES OF RISK

PURE RISK
Beyond control of person -- Accidents
Loss or No Loss
Insurable

SPECULATIVE RISK
Personal choice to take the risk
Loss – No Loss – Gain
Not Insurable
WHY TAKE RISK?

MANAGING RISK
THE RISK MANAGEMENT PROCESS

BAD RISK MANAGEMENT

Auto Repair
Ah ladders
DEALING WITH RISK

Accept  
Avoid  
Reduce  
Transfer

TRANSFERRING RISK

Two Options --- Use Both

- Contractual Risk Transfer --- Hold Harmless Agreement
- Contractual Risk Transfer --- Insurance Policy
SOBER LIVING HOME
This is a COMMERCIAL business venture --- NOT a PERSONAL investment.

Commercial Insurance --- Business
Personal Insurance --- Homeowner

When pursuing insurance you should be clear about your operations with your insurer. Some owners/operators pose as single family rental properties and purchase homeowner policies -- may be cheaper but NOT a good idea.
MATERIAL MISREPRESENTATION

A misstatement or omission in an application for insurance that is so important, had the truth been known, the insurance company would not have issued the policy.

Problems with Homeowner’s Insurance

- Coverage is not designed for the unique exposures of a recovery residence.
- Insurer may CANCEL coverage upon learning of operations.
- Insurer may DENY Property or Liability claims based on material misrepresentation by applicant.
KEY EXPOSURES
RISK MANAGEMENT
INSURANCE

PROPERTY

EXPOSURES
• Building
• Contents
• Loss of Rents

PERILS
• Fire is most common cause of property loss
• Loss or Damage to property of residents that is in your care custody or control
• Damage to premises rented to you (by a resident) is only covered for fire, lightning, explosion or smoke
**PROPERTY**

**Risk Management**

- Control smoking areas --- proper receptacle
- No candles or heating devices in rooms
- Mark and show residents how to shut off water and gas
- Fire extinguishers / smoke detectors
- Collect a security deposit for any resident damages

**AUTOMOBILE**

**EXPOSURES**

- Liability for Bodily Injury or Property Damage to others
- Physical Damage to owned, leased or borrowed autos

**PERILS**

- Bodily injury to third parties is most common auto loss
- Third parties include people in other cars and also passengers in your car
- Costs to repair others’ auto or property
- Costs to repair your own auto – and replacement rental costs
**AUTOMOBILE**

Risk Management

- MVR check for anyone who drives for you
- If personal autos used for your business – make sure driver has insurance
- Regular vehicle maintenance
- Require all passengers to wear seatbelts

**GENERAL LIABILITY**

**EXPOSURES**

- Liability for Bodily Injury to third parties – incl Residents
- Sexual and Physical Abuse liability - Residents

**PERILS**

- Bodily injury to residents is most common loss
- Slips, Trips and Falls are the #1 most common cause of loss in Sober Living homes.
- Wrongful death
- Resident Mgr Abuse of Resident
- Resident on Resident Abuse
GENERAL LIABILITY

Risk Management

• Maintain clean and safe premises – eliminate obvious hazards

• Establish clear house rules and enforce them

• Resident Manager – background check / training

• First Aid kit

• Post safety info

PROFESSIONAL LIABILITY

EXPOSURES

• Liability for ERRORS AND OMISSIONS in providing professional services

PERILS

• Bodily injury – including mental anguish to third parties - Residents
PROFESSIONAL LIABILITY

Risk Management

- Use only trained and certified professionals to provide professional services
- Verify insurance of any professional
- Make sure contracts are in place with hold harmless wording
- Limit the scope of services provided

OTHER LIABILITY CONCEPTS TO CONSIDER
**ADDITIONAL INSUREDs**

Risk Transfer Tool

- Landlords will almost always require you to name them as an Additional Insured on your general liability policy
- This policy endorsement protects landlords from injury to third parties due to your negligent acts
- It does not provide insurance for the negligent acts of the landlord

**VICARIOUS LIABILITY**

Your liability for the acts of others

- Resident Managers
- Contractors / Professionals
- Service providers – including treatment providers

*Consider contractual risk transfer via hold harmless agreements*
FINAL THOUGHTS ON RISK MANAGEMENT AND INSURANCE

GET INVOLVED WITH PROFESSIONAL ASSOCIATIONS

The National Alliance for Recovery Residences
narronline.org
CHOOSE AN INSURER AND AN INTERMEDIARY (AGENT – BROKER) WHO UNDERSTANDS YOUR BUSINESS

RESPONSIBLE AND PROFESSIONAL OWNER/OPERATORS UTILIZE RISK MANAGEMENT TECHNIQUES AND PROPER INSURANCE FOR THEIR OWN PROTECTION, THEIR RESIDENTS’ PROTECTION, AND THE GENERAL PUBLIC’S PROTECTION

Road to Success