Every company faces the need to protect its assets and survival against the risks of harm to its property or employees or harm it may cause to others. In addition, state and federal laws and regulations require employers to provide certain types of insurance for employees, and agreements with unions may require a company to provide certain insurance benefits to their members. These types of concerns are met through risk management and insurance programs conducted by media managers.

Risk management involves understanding the nature of risks and reducing the potential damages of risks by eliminating hazards and preparing to cope with problems of catastrophic damage ahead of time. One of the major tasks of risk management involves making decisions regarding insurance. These insurance management tasks range from determining the needs of a company to transferring the financial risks of damages or injuries to companies that specialize in bearing such risks. Both the
specific insurance management tasks and general risk management tasks are crucial in the operation of a healthy media company.

In large and complicated organizations, and in small firms where managers may lack sufficient knowledge to handle specific risk management assessment, media managers may seek consultants or rely on industry organizations to help identify, assess, and make decisions about risks. Newspaper, magazine, broadcasting, and cablecasting groups or companies with multiple holdings often operate company-wide risk management programs. Even when these services exist, the primary responsibility for local risk management usually falls to the business or general manager of the firm.

Risk Management

Risk management is a process that focuses on aspects of risk that a company can control or from which it can protect itself. It involves recognizing potential damages or losses that can occur, identifying the scope and nature of various risks, deciding how to handle various risks, and working to reduce risks.

Recognition of Risks

Because we do not exist in a risk-free environment, every business endeavor faces threats to its survival and ability to operate. A primary task of risk management is recognizing the variety of risks that exist and the extent to which a firm is vulnerable to those risks.

Primary risks are damage or destruction of a company's buildings, equipment, and other property, vulnerability to criminal acts, the inability to continue operating normally after disasters, and harm to employees or other persons or their property. Secondary risks come from liability that arises if other persons or property are harmed by act or omission of the company or its employees.

Good risk management involves the clear identification of the potential extent of harm from casualty. Thus, managers develop lists of all real and personal property of the company, inventory, leased property and other non-owned property over which the company has control or risk responsibility. These lists, which are often computerized if the firm is large, include both the current cash value of the property and its replacement costs at current prices. With such a list, the manager can see and understand the financial risk that occurs to property should the firm become a casualty to fire, tornado, hurricane, earthquake, or other disaster that destroys all or part of its property.

Risk managers also identify and estimate the nonproperty financial damages that can occur due to such catastrophes. Included in these risks are additional costs resulting from damage, including removal of wreckage or debris, raising unsafe buildings, and general clean-up of the property. Managers also estimate and plan for financial losses and additional costs that result from such a disaster, including loss of income if the business stops operating for a period, added costs of acquiring new facilities and equipment, and accounts receivable lost because of destruction of accounting records.

The second major category of risk faced by media firms is liability for harm to other persons. Included in such risks are injury or deaths to customers or passersby that slip and fall on company premises, accidents with company vehicles, or other harm done by the company's equipment, employees, or agents. Harm to persons' rights caused by employees actions are also considered, and special categories of liability are faced by media in this regard because of the potential for libel or slander and invasion of privacy.

In addition to identifying losses due to major casualty and liability, media managers identify the potential of financial losses due to embezzlement, burglary, robbery, forgery, and other criminal activity. These types of activities are faced by all businesses that sell goods and services and media that sell advertising and media products generate large cash flows that can make them targets for loss. Newspapers, for instance, can have money stolen from newborns or taken by newscapers carriers. Armed robbers may take cash and checks from the business manager taking the paper's deposit to the bank. The paper's accountant may create and pay a fictitious employee as a means of embezzlement.

Finally, the company bears certain risks for its employees. These include financial benefits for employees whose employment is ended, and benefits such as medical payments for health care of employees.

Assessing and Controlling Risks

Once a manager has identified the potential scope of losses, he or she must decide how to deal with the risk. The manager has two important means for dealing with the risk. First, the company can bear a risk itself and decide to absorb casualty or liability losses that occur within the operating budget. Second, the firm can decide to transfer the risk to an
Insurance company or related firm that specializes in handling risks for a company. It makes decisions about what insurance policies and procedures will reduce the probability of an occurrence. The firm must know the likelihood of an occurrence and the consequences of the occurrence. When a firm decides to transfer risks, it is normally done through the purchase of insurance policies. Each firm must develop a policy that protects the firm against the occurrence of losses or losses that could occur. The firm must also develop a policy that protects the firm against the occurrence of losses or losses that could occur. The firm must also develop a policy that protects the firm against the occurrence of losses or losses that could occur. The firm must also develop a policy that protects the firm against the occurrence of losses or losses that could occur. The firm must also develop a policy that protects the firm against the occurrence of losses or losses that could occur.
All Risk vs. Limited Risk Policies

Insurance companies generally provide two types of coverage for physical property of companies. The first is "all risk" coverage that provides protection against all forms of damage or destruction. This type of insurance provides the broadest type of coverage and will provide protection against the wide range of catastrophes that could befall a firm. A manager must be well acquainted with the terms of such coverage because some insurance firms exclude some types of damage from even "all risk" policies. Common exclusions include acts of war and, in particularly vulnerable areas, floods or earthquakes. Managers who need protection against excluded items should negotiate to have it included or purchase special coverage for the additional coverage.

Limited risk policies, provide coverage only against certain types of damage or destruction, or place limits on the amount of coverage provided for certain types of coverage. A limited risk policy might provide protection only against fire, exclude certain types of property from the coverage, or provide protection only up to a portion of the total value of property.

Although all insurance policies provide financial returns for damages sustained, they differ in the amount and types of damage they cover. Managers need to understand the nature of coverage available and the needs of their companies in determining what is appropriate.

Cash Value or Replacement Coverage

An important element of coverage is whether it provides payment for losses at the current value of a piece of property or at the price it would cost to purchase the property today. This element is important because a newspaper's computer system which was purchased five years ago may be worth only $200,000 today, but a new system will cost $750,000 if the current system was destroyed in a fire.

Replacement of the equipment will thus cost $550,000 more than the current system is worth. Thus, the real risk to a company is not $200,000 but $550,000. Managers must thus regularly review their insurance coverage to determine whether it meets the needs of the firm and whether inflation or other factors have changed the extent of coverage provided.

Deductibles

Any insurance policies are written with deductible levels, and the firm or individual purchasing the insurance is expected to pay for damages or losses up to that level. Thus, a magazine with a deductible of $25,000 on coverage for libel insurance would pay the first $25,000 for any award made in a lawsuit against the company.

Deductibles can apply to each claim made by a firm or all claims made during a specified period of insurance, a quarter or a year for example. Thus, if a company has a deductible of $1,000 per incident on a policy covering losses due to robbery, it will absorb losses up to $1,000 a time it is robbed. If the deductible was $1,000 per year, it would only be assessed the deductible once during the year of insurance coverage.

Casualty Coverage

Casualty insurance provides payments for damages due to damage or destruction of a company's facilities or property. It can include or exclude payments for a variety of items including buildings, machinery, furniture and office equipment, business interruption, accounts receivable, business records and papers, and personal property that may be harmed by damage to a company's facilities.

A firm desiring the fullest coverage would seek to insure the building(s) existing when the property was insured, plus the costs of any improvements made since that time. In addition, such a firm would insure all contents including desks, filing cabinets, furniture, computers and other office equipment, electronic systems. A television station, for instance would include cameras, editing equipment, control systems, satellite and microwave facilities as well any other specialty equipment located in its facilities.

Because media firms are ongoing businesses, damage or destruction to property could harm their ability to continue operating or limit their ability to restore previous levels of operation. As a result, firms desiring strong protection often ensure their income with business interruption policies that provide cash that allow the company to continue normal payroll and expenses and receive what would be normal levels of profit. A radio station, for instance, would use this type of insurance to compensate itself for costs of reestablishing its business and losses in advertising sales that would occur if it were forced off the air for days or weeks due to tornado damage to its transmitter or broadcast tower.

Additional insurance coverage is available to help companies replace or reconstruct important business records and valuable papers. This type of insurance is especially important for media that maintain extensive and expensive physical or electronic library. A newspaper, for instance, might wish to insure itself for the cost of reconstructing its morgue if the existing
Files were destroyed as a result of a flood. Another type of insurance provides payment for credit sales that cannot be collected because business records have been destroyed. Many firms purchase additional insurance to help them recoup and pay added costs incurred as a result of the property damage.

The extent to which coverage protects personal property of others at a company’s location is important. Property of employees or visitors may or may not be included. This becomes important, for example, if flooding from a broken pipe destroys personal property at the desks or in lockers of a radio station’s employees or if a building fire damages customers’ automobiles parked in a newspaper’s lot.

Employee Coverage

Insurance is typically obtained to protect the company against claims arising out of injury or death to employees because of accidents on the job. A media company faces such liability if an employee falls off a radio tower, is hurt in a printing press accident, trips on a loose carpet or is killed while firing a police shotout.

Like other employers, media companies are required by law and contract to provide coverage for disability, unemployment and related job interruption.

A major employee benefit, medical insurance, is provided by most media firms. This is a particularly important category of insurance that must be managed because medical care costs—consequently—medical insurance costs have risen far faster than other costs in recent years.

Liability Coverage

This category of insurance is designed to protect the company against injuries, deaths, and damage caused to others by the company or its workers. This type of coverage is needed to protect a television station if its antenna collapses and falls on and damages a nearby building. It is also needed to protect a cable television system if one of its repair trucks runs a red light and collides with a car.

Also included in this category of liability protection is coverage for harm caused by information that is not legally privileged being conveyed in media. Special coverage is needed to protect the company against liability if a newspaper reporter wrongly reports that an individual is being investi-
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