

# BUSINESS INSURANCE

As a new business owner you will have several professionals on your team. One of those should be an insurance agent. Two to keep in mind are:

[mhoffman@doliff.com](mailto:mhoffman@doliff.com) or the company at- [www.doliff.com](http://www.doliff.com)  
[www.sb.thehartford.com](http://www.sb.thehartford.com) for educational tools  
<http://business.gov/> focus by state or topic

## A. Types of policies to consider

### 1. BOP – Business Owners Policy.

The policy bundles essential insurance in one package, like property, liability, business interruption and unique add-ons for your particular business.

### 2. Property Insurance

Property includes buildings, equipment, inventory, computers and computer media. Coverage may be fire, theft, vandalism, wind, etc. Consider peak season inventory, business interruption and your key vendors against supply interruption.

### 3. Product Liability

If you manufacture, distribute or retail a product you could be liable for its safety. This coverage protects against loss of a defective product that causes bodily injury. The cost and need depends on the products you provide.

### 4. Business Liability Insurance

This covers injury or property damage to third parties including bodily injury, libel, copyright infringement, medical expenses and related defense costs. Consider errors and omissions, product recall and product liability.

### 5. Umbrella Coverage

An umbrella policy covers losses that exceed the limits of your primary liability policies. It is a layer for catastrophic events and the cost is surprisingly small.

### 6. Automobile Coverage

This is like your personal insurance but covers corporate vehicles. If you have no autos then you may need “non-owned” auto insurance for when your employees use their own cars or you rent autos/trucks.



## **BUSINESS INSURANCE - continued**

### 7. Errors and Omissions

This covers a business in the delivery of professional services so a lapse in execution or negligence does not expose you to claims from the client.

### 8. Worker's Compensation

Employees injured or illness from on-the-job risks are covered by workmen's comp. An employee driving his own car and if they are injured are covered by this policy – not by automobile insurance. State law requires a workman's comp policy and the rates depend on number of employees and nature of your business.

### 9. Business Interruption

Property insurance will pay to replace damaged or destroyed equipment or buildings but how will you pay other expenses until your facilities are replaced? Business interruption can pay your fixed expenses during the time you are not operational.

### 10. Home Office

You should review your home owners policy to see if it covers your office equipment and other business related items.

### 11. Key Man

If some person is so critical to the operation of your business that it cannot continue in event of illness or death, then this coverage may be prudent. It may be required by banks and some government loan programs to cover a period of ownership transition.

## **B. Risk Management Program**

A business can manage risk in three ways-

Finance it by buying insurance

Transfer it to others

Control the exposure to risk

### 1. Finance risk by buying insurance

That is the purpose of the checklist above. However, be sure you also understand the coverage and limitations or exclusions. Review on any major change in business activity.

## **BUSINESS INSURANCE - continued**

2. Transfer it to others through one of the following techniques
  - a. When you lease see if owner will cover the risks
  - b. Use just in time delivery to cut in need for coverage
  - c. Look at your warranties to see if customers should cover
  - d. Consider 'hold Harmless' clauses
  - e.
3. Control the exposure to minimize risk
  - a. Review you security and risk of theft
  - b. Follow good fire prevention procedures
  - c. Have a simple emergency preparedness program
  - d. Make back-ups of computer records & use anti-virus software
  - e. Safeguard your work place for employees and customers

End