

Protecting your business from risk now AND in the future.

Insights has presented many stories on various risks to your business and how to protect against them. One category of risk that we haven't covered is the very basic need for insurance to protect your business in case of fire, theft, and potential liabilities.

Then there's also the need to protect your business from risks that could arise in the distant future. Here's what one business has experienced:

In 1984, I purchased a small company and assumed all liabilities. Having worked for the company for six years, I knew there were no hanging liabilities, or so I thought. What I did not count on was that the son of someone employed at the company in the late 60s would die from mesothelioma caused by exposure to asbestos.

The son's estate sued saying that his dad brought the asbestos home on his clothes. They sued all of the father's former employers, the shipyard where the son worked, and any supplier to the shipyard -- 35 in total.

What I needed to protect my business was "proof" of insurance during that man's period of employment. I dug around and found about seven or eight companies that had insured the telecom firm dating to the late 70s. Not having the actual policies in hand, my attorney wrote to all of them and one said they would cover us, but the insurance company legal bill to date is about \$40,000.00.

As you can see, it's not only important to have the right policies for your business, but to hang onto copies of those policies "forever." Below is a list of the types of policies you should consider for your business.

Here is what the U.S. Small Business Administration recommends:

[Link to SBA list is: <http://www.sba.gov/content/types-business-insurance>]

General Liability Insurance

Hiring employees and doing business with the public or other businesses means you must be prepared to cover potential payments in relation to bodily injury, property damage, medical expenses, libel, slander, the cost of defending lawsuits, as well as settlement bonds or judgments required during an appeal procedure.

Product Liability Insurance

If you manufacture, wholesale, distribute, and/or sell products in a retail store, those products make you liable for product safety. Product liability insurance protects against financial loss as a result of a defective product that causes injury or bodily harm. If you are in one of these categories you'll need insurance that relates to the type of product and its potential risks.

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Professional Liability Insurance

Business owners providing services should consider having professional liability insurance (also known as "errors and omissions insurance"). This protects your business against malpractice, errors, and negligence that come from providing services to your customers. Depending on your profession, you may be required by your state government to carry such a policy.

Commercial Property Insurance

This covers a wide variety of events, including fire, smoke, wind and hail storms, civil disobedience, and vandalism. The definition of "property" is broad, and includes lost income, business interruption, buildings, computers, company papers, and money. Property insurance policies come in two basic forms:

1. All-risk policies covering a wide range of incidents and perils except those noted in the policy
2. Peril-specific policies that cover losses from only those perils listed in the policy. These could include fire, flood, crime, and business interruption insurance.

All-risk policies generally cover risks faced by the average small business, while peril-specific policies are usually purchased when there is high risk of peril in a certain area. You should consult your insurance agent or broker about the type of business property insurance best suited for your business.

Forbes recommends that business owners consider buying what is known as a business owner's policy or BOP. This is a business owner policy package that includes business interruption insurance, property insurance, vehicle coverage, liability insurance, and crime insurance. Based on your company's specific needs, you can alter what is included in a BOP. Typically, a business owner will save money by choosing a BOP because the bundle of services often costs less than the total cost of all the individual coverages.

[Link to Forbes is: <http://www.forbes.com/search/?q=how%20long%20to%20keep%20insurance>]

In addition to the recommendations by the SBA, Forbes suggests you consider the following:

- **Commercial Auto Insurance:** Commercial auto insurance protects your company's vehicles and can also protect employees, products or equipment moved in those vehicles. If your employees drive their own cars for company business, then you should have non-owned auto liability to protect you in case the employee does not have insurance or has inadequate coverage. Many times the non-owned auto liability can be added to your BOP policy.
- **Worker's Compensation:** This provides wage replacement and medical benefits to those who are injured while working. In exchange for these benefits, your employees give up their right to sue you for the incident. As a business owner, it is very important to have worker's compensation insurance. Plus, if you have W2 employees, your state may require worker's compensation and there are stiff penalties for non-compliance.
- **Directors and Officers Insurance:** If a director or officer of your company, as a direct result of their actions on the job, finds him or herself in a legal situation, this type of insurance can cover costs or damages that are the result of the lawsuit.
- **Data Breach:** If your business stores sensitive or non-public information about employees or clients on your computers, servers or in paper files, your business is responsible for protecting that information. If a breach occurs either electronically or from a paper file, a Data Breach policy will protect your business against the loss.

As you can imagine, insurance coverage is available for every conceivable risk your business might face -- and the cost and amount of coverage vary among insurers. You should discuss your specific business risks and the types of insurance available with your insurance agent or broker. Your agency can advise you on the exact types of insurance you should consider purchasing. But, whatever you buy, be sure to keep all your policies in a secure location -- and keep them forever.



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