

INSURANCE FOR ENTREPRENEURS



AT WHAT POINT DOES A BUSINESS NEED INSURANCE?

Employees

The moment you shake hands with your first employee, you are responsible for his or her injuries occurring on the workplace. Don't mistake an "independent contractor" for an "employee" - if someone works exclusively for you, reports regularly to you, or is supplied tools or materials, you are likely hiring an employee, which subjects you to tax withholding, worker's compensation, and other duties.

Products

Many businesses sell products, but don't have any inventory. Products can include software, food, and even operations such as carpentry or cleaning. The exposure for liability caused by products sold is just as vast as the number of products in existence. The moment you sell something, you can be held responsible for injuries or damage done by what you have sold.

Assets

Just because a business doesn't have a flush bank account doesn't mean it doesn't have assets. Buildings, cash, computers, and furniture are only a few types of assets. The more a business is worth, the more assets it has to protect, and insurance is an important way to transfer the risk of storms, lawsuits, and other exposures away from a business owner.

What Have You Got To Lose? Everything.



WHAT ARE SOME ADDITIONAL COVERAGES THAT EVERY BUSINESSOWNER SHOULD SEEK OUT?

If your business is compromised due to a covered loss, this coverage allows you to not only rebuild, but also receive the portion of your revenue lost due to the loss. It also pays for extra expenses incurred to minimize the amount of revenue lost. Finally, some policies provide continued compensation for key employees and/or executives, allowing them to stay on your staff until business is resumed.

The Period of Restoration is the reasonable amount of time it should take to resume normal operations/revenue. This can vary from loss to loss - if your restaurant burns down, it could take over a year to rebuild, but if the kitchen is the only portion damaged, the Period of Restoration may only be a couple months. Business Income and Extra Expense coverage is only available through the Period of Restoration.

Just like the above coverage can continue to pay key employees and executives/managers while your business is down, it may make sense to extend that coverage to "ordinary" employees as well. This could be the difference between keeping your trained, experienced team and being forced to rehire and retrain new employees.

Many new and existing businesses don't own their own autos. Instead, owners or employees use their personal vehicles for the business to run errands, make sales calls, or deliver products. As business use is generally limited or excluded on personal auto policies, businesses should have Hired & Non-Owned Automobile liability on their Business Auto policy, or General Liability if there is no Business Auto policy in force. This provides liability coverage if the vehicle is used for business.

**Business Income/
Extra Expense**

Ordinary Payroll

**Hired & Non-Owned
Automobile Liability**

WHAT ARE SOME COMMON TYPES OF COMMERCIAL INSURANCE?

General Liability

Whenever you hear liability, think of damages to other parties for which you are responsible. In these times, burglars sue the places from which they are stealing if they are injured – and winning! A good GL policy provides coverage for damages awarded *and* includes costs for defense attorneys as well. From slip and falls to major accidents, GL should be one of the first insurance policies new businesses buy.

Property

Your building, tools, inventory, equipment for cooking or manufacturing – all are valuable investments you need to protect. Don't look for much coverage from your homeowners policy for your business' property unless your agent has told you otherwise. Do some research and choose an agent whom you trust, not the cheapest. An insurance policy is only as good as its coverage, and you'll get what you pay for.

Auto

Don't assume your personal auto policy will provide coverage if your auto is being used in the course of business – most policies exclude business use. Consider a commercial auto policy, and make sure that liability coverage applies to all autos, whether they are owned by the business or not. In five seconds or less, you or your employees could make your business liable for injuries of multiple people.

Workers Compensation

Remember – employers are responsible for their employees' injuries that occur in the course of employment, and if you have an employee, you must purchase workers compensation! Premium is based on job classification times payroll, so expect to pay more premium as your business grows. Owners & officers' payroll can be excluded. It is extremely important to accurately track your payroll.

Cyber Liability

Do you have non-public personal information of employees or customers, including credit card numbers, or do you use a secure website for transactions? Or, would you gladly post everything in your computer to the internet for everyone to see? Probably not. If your system is breached, federal law requires you to notify those affected. If you're sued, you need coverage for damages and lawyers.

Professional Liability

Any time professional advice is offered by consultants, doctors, lawyers, teachers, engineers, architects, financial advisors, and yes, insurance agents, it creates a potential for liability. Advice is our product! If you are in the business of consulting, and your advice doesn't pan out, you'll need a professional liability policy. It's otherwise known as errors & omissions or malpractice insurance.



HOW CAN A BUSINESS LOWER ITS INSURANCE PREMIUM WITHOUT SACRIFICING COVERAGE?

Taking a look at exposures and procedures and improving them to lessen the likelihood of loss is the best way to manage risk. In other words, make safety a priority! Adopt policies for workplace violence, texting while driving, use of safety clothing, and proper operation of equipment, and enforce them.

Many insurance companies offer loss control services at no additional charge, giving business owners the resources they need such as safety videos, sample policies, and even directly training employees. Smart entrepreneurs work to prevent accidents before they happen, and save money in doing so.

Unless you see a sharp increase or experience a large claim that results in nonrenewal, look to establish a relationship with your agent and insurance company – once developed, both sides will build a level of trust which allows for open communication and even lowered premium.

Experience is gained by learning from mistakes, so owners and managers with experience know how to operate a business while making fewer mistakes that can turn into claims. Insurance companies will offer lower rates to businesses with experienced management.

Taking the time to internally track time spent doing different job classifications (clerical vs. construction) reduces workers compensation premiums. If payroll is reported as a single amount, it all goes against the most expensive job classification.

Risk Management

Longevity

Management Experience

Accurate Payroll Reporting

This information is not an offer to sell insurance. Note any proposal of insurance we may present to you will be based upon the values developed and exposures to loss disclosed to us. All coverages are subject to the terms, conditions and exclusions of the actual policy issued. Not all policies or coverages are available in every state. Please contact our office at 515.532.6653 to discuss specific coverage details and your insurance needs. Our statements as to policies and coverages and other content provide general information only and we provide no warranty as to their accuracy. Clients should consult with their licensed agent as to how these coverages pertain to their individual situation. Information provided does