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Staying Current with Your Coverage

Keeping up with your insurance coverage needs can be tough. There are several factors that go into determining the proper level of coverage, such as the size and value of your company and the level of exposure you have. These circumstances are dynamic, which means they change over time. The only way to ensure you are insured at the right level is a periodic review of your insurance coverages. Most agents recommend discussing your business coverage at least once a year or any time you've experienced a big change to your company, such as an expansion or change in the way you do business. The worst time to find out that you need to update your insurance policy is after you've had a loss.

When undertaking any review, there are key areas of coverage to consider:

- **Liability**—All business owners need, at a minimum, some sort of coverage in this area, even if you have a home-based business. The possibility of legal action based on your business dealings is always a possibility. The cost is based on things like the type of business you have (e.g., if you clean buildings it will be less expensive than if you're a demolition engineer), the size of your company (more employees usually means a greater chance of liability) and how much protection you need (\$1 million worth of protection costs less than \$100,000,000).
- **Property**—If you own any type of valuable property or equipment, you'll need to insure it against damage or theft. It could be as simple as \$10,000 to cover the computers and copiers at the office or your carpentry tools against theft. Or it could be as much as millions of dollars for the apartment buildings your firm owns.
- **Auto**—A commercial auto policy covers any vehicles owned by the company or any personal cars used for business matters.
- **Worker's Comp**—If you have any employees, even one, most states have mandatory requirements for Worker's Compensation coverage. Many small businesses do without this type of coverage because it can be expensive and they have only one or two employees. However, if your warehouseman drops a box of widgets on his foot and it costs \$10,000, not only will you be on the hook for it, you could be required to pay for lost wages as well.
- **Business interruption insurance**—Think of this as disability insurance for your business. If your business is shut down for any length of time, business interruption insurance can help keep you afloat while you get your business up and running by providing a source of income for rent, inventory maintenance, payroll and other bills.
- **Identity theft**—As we all do more business online, identity theft is increasingly becoming an issue. The right coverage can help protect you and your customers from data theft and other web-based computer fraud.
- **Additional coverages**—Depending on the type of business you may have special needs (such as refrigeration coverage, loss of income, asset theft, etc.). In this case, a qualified agent can help you determine what your specific coverage needs are.

The most important thing to do when considering any type of insurance is to be absolutely honest with your agent or broker. Share as much as you can about your business as possible so that he or she can ensure that you have the right coverage. It's also worth asking your agent about the ways in which you can reduce liability, thus

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saving you money. You can do a few simple things to help reduce your liability exposures. For example, if you have a physical place of business, for example, make sure the environment is always clear, clean and safe. Open drawers and boxes left lying around can cause employee and customer harm; develop a written safety plan and be sure that all your employees are aware of it and follow it. A burglar/fire alarm connected to a central service can reduce your liability and help protect your valuables/property by ensuring a quick response if there is a problem.

For more information about business insurance policies, read “Build Your Policy” in this issue. Thanks to C. Steven Tucker, an agent at Small Business Insurance Services, Inc., for his help in preparing this article.

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