

Do You Have the Business Insurance You Need?

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For want of a nail, the shoe was lost. When we're talking about your business, losing the shoe can be serious indeed.

Think of business insurance as the nail; as in the old saw, it can help you hold onto what's really important. You personally cannot control or eliminate every potential risk that threatens your livelihood. Business insurance can provide the protection against these risks... if you carry the right kinds of business insurance for your small business.

Unfortunately, insuring your business is not as simple as insuring your car. Because your business is unique, you'll need to design a package of insurance that meets your business needs and provides the level of protection you're comfortable with. Your first decision is to decide which types of insurance your business needs.

This article outlines the types of business insurance that small businesses might need, including property insurance, professional liability insurance, disability insurance, and business interruption insurance.

Two types of business insurance that all businesses need are property and liability insurance.

Property insurance protects the assets your business owns, including the building and equipment, from destruction or damage. Even if you run a home-based business and have home insurance, you'll need to protect your business assets with separate contents insurance; your home owner's policy will not cover business equipment.

Contents insurance protects your business equipment from perils such as fire, flood, or theft. To determine how much property or contents insurance you'll need, create an itemized list of your business' assets and their individual dollar values. Then decide which assets you actually want to insure and for what value, which will determine the insurance premium.

In some cases, you may decide against insuring a particular asset, because it just doesn't warrant the cost of the premium. In other cases, the premium may be well worth paying. Ask yourself, if this equipment, such as a computer, was stolen, would I be able to afford to replace it? If the answer is no, you should insure it.

What other types of business insurance do small businesses need? Definitely liability insurance, no matter how small the business, and employee insurance if your company has employees.

Liability insurance is the other kind of insurance no business should be without; its purpose is to protect your business from being sued.

General liability insurance protects your business from liability arising from negligence that may cause injury to others, such as a customer or employee. It also protects your company if someone is injured as a result of using your product or service. When you consider that the legal expenses and settlement or judgment expenses of a single lawsuit could drive your business into bankruptcy, you'll see why this kind of insurance is considered a "must-have".

If you sell manufactured or assembled goods, check and see whether or not your general liability insurance policy also covers **product liability**. If not, you'll want to add this type of specific liability insurance to your package.

If you're a professional, such as a doctor, lawyer, architect, computer consultant, or realtor, you should also consider carrying **professional liability insurance**. Types of professional liability insurance range from malpractice insurance for those in the healing professions, through error and omissions insurance which protects business professionals whose clients could claim damages as a result of the business professional's faulty performance. If in doubt about what kind of professional liability insurance you should be carrying, consult your provincial professional organization. In some provinces, professional liability insurance is mandatory for certain types of professionals.

If you have employees, **workers' compensation insurance** is also mandatory. You should also seriously consider providing employee insurance, even if you're running a small business.

It's tempting to just ignore **employee insurance**, but you know that good employees are the key to the success of your business operation, and providing employee benefits such as medical, dental, and disability benefits, will not only help keep your employees healthy, but will help keep them contented and willing to continue working for you. Think about how much money and time you'd spend finding and training new employees, and keeping the good employees you already have makes dollars and sense.

Some business owners stop here. But there are other types of insurance that wise business owners will also want to purchase to protect themselves from incurring the kinds of losses that can close their doors.

Remember the infamous ice storm? It's just one example of an unforeseen natural disaster that could force you to suspend your business operations. There are also floods, tornadoes, and fires. Or, on a more mundane level, your business could be the victim of vandalism or theft.

Business interruption insurance protects you from the loss of revenue incurred when you're forced to close down. To help you figure out how much business interruption insurance you might need, talk with a business insurance agent for help.

If you're a business owner, you should also carry some kind of **disability insurance**. There are various kinds of disability insurance available that are tailored to the needs of business owners. All of them involve paying premiums now to cover your lost income if you become disabled or unable to carry on your business..

If your business is dependent upon the expertise or knowledge of particular people in your company, you should also consider **Key Person insurance**. This type of plan helps to compensate a business for financial losses due to the death or long term disability of a key person. The insurance provides additional funds to the business until the key person can be replaced, or until he or she returns to work.

If you are a member of a partnership, you may also want to carry **Buy-Sell insurance**. If one of the partners dies or becomes disabled, this kind of insurance provides the surviving partner or partners with the money to buy the deceased or disabled partner's share of the business.

Being a successful business person means being able to anticipate events and plan for the future. Business insurance is one way of ensuring that you're in control of your future rather than being controlled by it. Unfortunately, there is no generic plan that will meet every small business person's needs. You'll need to shop around, just as you would for any product, to get the business insurance that's most suited to you.

If you would like FREE business counseling, please contact the Lynn Area Chamber of Commerce staff at 781-592-2900 or info@LynnAreaChamber.com