

INSURING YOUR SMALL BUSINESS



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Finding the right kind of insurance at the right price isn't always easy. It may seem like a daunting task, but having the proper insurance coverages is essential to your business' continued success. Given all the things that could go wrong, putting a little effort to protect what you've built, may not seem like a chore at all.

Depending on your industry, certain forms of insurance are requirements. It most

states, business owners with employees need workers compensation insurance. You may also need to purchase property insurance as a part of a lease, mortgage or agreement with suppliers. Whether they are required or not, there are five basic types of coverage every business owner should consider; property, liability, business interruption, life and disability and workers compensation.

The first three are typically included in a business owners standard package policy, often called a BOP, a business owners policy. Many are tailored to the needs of different industries, thus not all provide the same type of coverage. If you are a home based entrepreneur, don't assume your business is covered by your homeowners or renters policy. Most often, it is not. Special riders or endorsements can be added to your residence policy to provide protection for your business. Today, many insurance companies

have developed products especially to accommodate the needs of home based businesses.

Property insurance covers your physical location, specifically the building, furniture, equipment and inventory of your business. In this area, it's important to be insured for the replacement cost value of your property, not what its worth at the time of loss. General liability insurance is the most common coverage for retail, service, manufacturing and home based entrepreneurs. It protects your business from accidents and unintentional injuries to others by covering damages to property and person. It also assists you financially and legally by paying legal costs if you're hit with a lawsuit.

Business interruption covers lost income if your business cannot operate for an extended period due to an insurable loss. It can also help pay for expenses above normal

operational costs incurred during this time, such as relocation or rebuilding. These policies vary widely, thus its important to fully evaluate the coverages.

Aside from basic business coverage, other insurance programs to consider would include life and disability policies. These policies are sold separately from standard business policies and protect the family's income in the case of the death or disability of the business owner. Additionally, life insurance policies can provide cash to fund a buy-sell agreement and eliminate any outstanding debt of the company.

As an employee benefit, employers generally offer life insurance coverage equivalent to one or two times an employee's annual salary. Generally, disability insurance costs one-half of one percent of payroll, while life insurance premiums run about five cents per thousand. Practically all states require businesses to purchase workers' compensation insurance after reaching a certain

level of payroll or as the company hires employees. The core of the coverage includes paying medical bills and lost wages for employees injured on the job and employers liability , which protects the business owner should he/she be sued by the injured family due to the injury or death of an employee. Even if the company offers medical and disability plans, many disability plans exclude benefits for work related injuries or will coordinate these benefits with workers' compensation.

When evaluating all the business' risk management needs, many business owners feel "insurance poor". To best avoid this feeling, look for comprehensive policies where multiple coverages can be provided in one contract. Watch for duplicate or overlapping coverages and benefits. Work with one or two insurance professionals who can best coordinate your coverages and fully understand the needs and objectives of your business. Consider carrying higher deductibles. Explore the

likelihood and potential severity of losses and determine deductible based on these factors. Position all policies for maximum tax benefit. As a business, many policy premiums may be deductible business expenses, thus lowering net cost. And remember, insurance is a financial and legal shield which protects your assets, wealth and income from possible financial ruin.

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