Business Insurance Prepares For the Unexpected

I had a conversation this past week with a couple of my fellow business mentors. Each had gotten the question from their SCORE client about the need for having business insurance for their start up business because they had a homeowners policy. They asked me to address this question in this column. To start out the topic, I will state that business insurance is most frequently a necessity, not an option.

Let’s take on the initial question first. More than likely your homeowners' insurance will not cover your home-based business or your new business in another facility. In fact, operating a business out of your home may negatively impact some of your other homeowners' coverage. If you check your homeowners' policy, you may find that your small business is either underinsured or even uninsured. In most cases you will find that the coverage of business equipment such as computers, fax machines, copiers, and printers is limited to less than the cost of a new computer alone. Also, your homeowners' liability insurance coverage probably won't cover any injuries that may occur to the employees or clients that you have on your premises. Check with your insurance professional and your carrier to determine your exact coverage.

Buying business insurance is among the best ways to prepare for the unexpected. Without proper protection, misfortunes such as the death of a partner or key employee, embezzlement, a lawsuit, or a natural disaster could spell the end of a thriving operation. As a business owner, you will have many choices, some far better than others. I suggest that the new business owner should become an educated business consumer about business insurance.

Ranging from mandated worker's compensation insurance to the relatively obscure executive kidnapping coverage, insurance is available for nearly any business risk. Considering the multitude of available options, business owners must carefully weigh whether the cost of certain premiums will justify the coverage for a given risk. The following is a quick summary of just a few of the more common business risks.

**General Liability:** Many business owners buy general liability or umbrella liability insurance to cover legal hassles due to claims of negligence. These help protect against payments as the result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, and settlement bonds or judgments required during an appeal procedure.

**Product Liability:** Every product is capable of personal injury or property damage. Companies that
manufacture, wholesale, distribute, and retail a product may be liable for its safety. Additionally, every service rendered may be capable of personal injury or property damage. Businesses are considered liable for negligence, breach of an express or implied warranty, defective products, and defective warnings or instructions.

**Worker's Compensation:** Required by our State, worker’s compensation insurance pays for employees’ medical expenses and missed wages if injured while working.

**Criminal Insurance:** No matter how tight security is in your workplace, theft and malicious damage are always possibilities. Criminal insurance and employee bonds can provide protection against losses in most criminal areas.

**Business Interruption Insurance:** Some businesses may wish to acquire insurance that covers losses during natural disasters, fires, and other catastrophes that may cause the operation to shut down for a significant amount of time.

**Key Person Insurance:** In addition to a business continuation plan that outlines how the company will maintain operations if a key person dies, falls ill, or leaves, some companies may wish to buy key person insurance. This type of coverage is usually life insurance that names the corporation as a beneficiary if an essential person dies or is disabled.

**Malpractice Insurance:** Some licensed professionals need protection against payments as the result of bodily injury or property damage, medical expenses, the cost of defending lawsuits, investigations and settlements, and bonds or judgments required during an appeal procedure.

If you need help in your business, contact SCORE, mentors to America’s Small businesses. They provide free, confidential counseling as well as informational seminars. For example, next Tuesday evening’s SCORE seminar will be taught by Tim Tucker, Commercial Insurance Professional at CO Brown Agency on the topic of How to Reduce Business Risk with Commercial Insurance and is offered through Rochester Community Education.

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