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## Properly Insuring Your Business





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No matter how careful you are in running your business, accidents happen. And no matter how big or small your business, you'll have to plan for these and other risks if you want your business to thrive. One way to do this is with insurance.

Imagine this: Your custom-made cabinetry business is thriving. You have a handful of talented employees and a stack of orders. Then, the unthinkable happens. You or one of your employees is severely injured using the equipment. Or a fire damages all of the cabinets you've spent the last few months building. Or a customer calls to tell you that the new cabinets you installed yesterday just fell and crashed onto her kitchen floor.

## Protect your business from physical destruction

Your business is situated somewhere--an office park, a warehouse, a barn. And just like your home, this structure (and all of its contents) is susceptible to damage from many causes. Property and casualty insurance provides coverage for losses due to the physical damage or destruction of your business. With the right policy, neither fire nor exploded boiler can put you out of business. Everything from your office building to your cabinets to your water cooler can be covered.

You can buy various types of insurance protection separately, or you can purchase one package that covers many potential hazards. Among the forms of coverage you can purchase are:

- Building and equipment insurance: This protects you if your facility or equipment is damaged or destroyed
- Valuable papers insurance: This protects you if the documentation supporting your accounts receivable or other valuable business records is lost or destroyed
- Crime insurance: This protects your business in case of theft
- Business interruption insurance: This protects you by replacing some or all of your operating cash flow if your business is unable to maintain its normal operations for a period of time due to a covered event

## Keep your business afloat if you or a key employee dies or becomes disabled

If you were to die prematurely or become permanently disabled and could no longer work, would your business survive financially? It's easy to believe that such a tragedy won't befall you. But remember, accidents happen not only on the job but also at home, and illness can strike anyone. Though the death or disability of an owner may be a minor issue for large businesses, small businesses may find themselves in a bind. And if you're a sole proprietor, you're personally responsible for all of the debts of your business, so everything you own could be repossessed if you're unable to pay your bills.

To survive a money crunch, your business can purchase life insurance and disability insurance to cover you, with the business named as the beneficiary. Upon a triggering event (death or disability), the policy will pay your business a certain amount of money, which it can use to cover its normal operating expenses like rent, utilities, employee salaries, advertising, and maintenance costs.

Your business can also purchase life insurance and disability insurance on a key employee--someone who is key to the success of your business (i.e., this employee brings in substantial accounts or has specialized knowledge or talent). Again, on the triggering event, your business would receive a sum of money to compensate for the lost income generated by the employee, or for the cost of replacing the employee.

Note: These types of policies are different from workers' compensation insurance, which all states require businesses to have. Workers' compensation insurance provides compensation to your employees if they're injured



at work or get sick from job-related causes. Once an employee opts to receive benefits under such a policy, he or she is usually prohibited from suing your business for the same injuries.

## **Protect your business assets if someone threatens or sues your business**

If your cabinet installation goes awry and your best customer (or so you thought) calls screaming at you on the phone, what will you do? With a liability insurance policy, the insurance company will pay (up to policy limits) third parties who claim they were injured or their property damaged by your product or service. If a lawsuit is threatened or filed, the insurance company will hire and pay (again, up to policy limits) a lawyer to defend you.

You can purchase general business liability insurance separately or as part of a commercial package policy, which combines this coverage with other types of coverages, such as property and casualty insurance. Certain small businesses, including retail outfits, can buy a business owners policy, which includes a general liability insurance line. If your business needs broader coverage or higher liability limits than these policies offer, you can purchase supplemental liability insurance with a commercial umbrella policy.

An important point: If you provide professional services (e.g., doctor, lawyer, accountant), a general liability policy doesn't cover you for losses incurred by third parties arising from your professional acts. In this case, you may need to buy professional liability insurance such as malpractice insurance, which protects you against liability for injury done to others due to your misconduct or lack of skill; or errors and omissions insurance, which protects you against liability for things that you did improperly or failed to do.

## **Attract and keep employees with insurance-related employee benefits**

Nowadays, insurance is a crucial component of most employee benefit packages. In fact, the types of insurance that you offer (and pay for) might be a key factor in a person's decision to accept a job with you or an employee's desire to work for your business long term. Insurance helps employees feel secure, and this security can translate into loyalty and strong job performance. Here is a list of group plans that you might decide to offer as part of your employee benefits package:

- Health insurance
- Dental and vision insurance
- Life insurance
- Disability insurance
- Long-term care insurance

In each case, the employee receives all of the benefits under the policy.

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