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STEPS IN THE RIGHT DIRECTION:

BUSINESS INSURANCE & YOU



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Managing risk is an essential part of every business, large or small. Theft, fire, vandalism, riots: A host of perils could come your way and you need to be ready for them. Let's look at some of the basic steps you can take.

1 STEP ONE: Get a good insurance representative

The best first step is to shop for a commercial insurance agent or broker who knows your type of business or is willing to invest the time and effort to study it with you. You are familiar with the operation of your business, and your agent or broker should be familiar with cost-effective ways of handling risk. A good insurance agent or broker is a valuable asset for your company.

2 STEP TWO: Priorities to consider

When planning your insurance coverage, an important step to take – with the help of your insurance representative – is to identify those potential losses that could cripple your business, and insure against them. Don't worry as much about items that pose little threat. But then be sure to consider everything between the two extremes. That's the difficult part, and it requires much creativity and perseverance.

3 STEP THREE: A partnership for prevention

You can help protect your property from loss and help reduce insurance costs by taking a few positive steps on your own to discourage burglars, shoplifters, vandals, arsonists and others. Good inventory control and meticulous bookkeeping may help take temptation away from employees and suppliers. Investing in loss prevention often results in lower insurance premiums. In fact, your insurance savings may pay for this investment in only a few years. Here are a few loss prevention ideas you might consider:

- Install approved sprinklers, intruder alarms and fire alarms.
- Secure all doors, windows and skylights, tightly.
- Secure storage and other low-traffic areas.
- Isolate flammable materials and dispose of waste materials properly.
- Leave some lights on and windows clear so police patrols can view the interior.
- Encourage employees to protect the company by being watchful and careful.
- Register with your local police and fire department so that they know who to call in an emergency.
- Consider hiring a security guard when conditions warrant.

By working with an informed insurance representative and taking a few proactive steps up front, you can build the security of your business even before you choose the scope of your insurance.



What is business interruption insurance?

Business interruption insurance is usually an optional add-on to your existing business property insurance policy that would cover your earnings during the period of a shutdown.

For example, a retail store owner whose business has suffered fire damage would collect the income they would have expected to generate from doing business during the repairs and shutdown.

Make sure your policy is current to reflect any changes in the business.

What type of business interruption policy is best for you?

Just like a home insurance policy, a business interruption policy can cover either **named perils** or **all risk**.

A named perils policy covers losses caused by perils that are listed in your policy. An all risk policy provides protection against loss caused by any risk that is not specifically excluded from your policy.

Indemnity period

Another important factor to consider is the indemnity period. This is the time period covered for loss of business. There are two basic types: **limited** and **extended**.

LIMITED (or earnings) form of business interruption insurance

A limited form pays only until the damage is repaired or the property is replaced. As soon as your business resumes, the policy stops paying, even if you haven't yet regained your previous level of earnings.

For example, if you are forced to be out of business for several months, your competitors may snap up some of your customers. As a result, when your business starts up again, you may not be operating at the same level as you were before the shutdown, but your insurance will have stopped paying.

There may also be limits on the amount of time your business is covered and the amount your insurance will pay in any one month. Although these types of limited form policies are less costly, they may not provide adequate coverage to meet your needs.

EXTENDED (or profits) form of business interruption insurance

An extended form, on the other hand, continues to pay until your business resumes its normal, pre-interruption level, subject to the maximum period of indemnity listed in your policy. This kind of policy is more expensive, but may be well worth its cost for many businesses.

Extra expenses

Some business owners may also purchase optional coverage that could include extra expenses. This type of policy is designed for businesses that must remain operational during the period affected by damage. Extra expenses may be incurred if you have to carry on business at another location (e.g., telephone, advertising, rentals, moving to other premises or outsourcing work).

Bottom Line

The coverage you need depends on the exact nature of your business model. Discuss your options with your insurance provider. Be clear about your needs. Don't be afraid to ask questions. Study the policy. Don't sign anything too quickly. Ask around and get other people's opinions. And make sure you have an insurance representative who goes over everything with you to ensure you are covered.

After all, it's your business.