



OPEN

10 What can I do to keep my insurance costs down?

Choose the highest deductible you can afford. Manage your risks for potential losses. If you are a professional, keep your credentials and skills up-to-date to be sure your advice and services are sound. Your insurance representative has a vested interest in minimizing the frequency and severity of losses, so ask for an inspection of your premises to help identify any exposures to damage or theft.

Protect your computer hardware, software and files by ensuring you have current virus protection software on your email system and a firewall to block hackers. Have a backup plan in case of a power failure. Use only suppliers that have similarly adequate backup support. Keep duplicate records and files in a location outside your business such as a bank safety deposit box. If it's appropriate to your business, consider installing sprinklers, an alarm system and a control system for handling cash.

Ask your insurance representative if there are discounts available for these or other provisions.

Remember, there is no such thing as a dumb question, so don't hold back!

Understand your insurance. Make it your policy.

For more information about commercial insurance in your region, get in touch with your insurance representative, or contact Insurance Bureau of Canada at one of the numbers listed in this brochure or at www.ibc.ca.

Questions about insurance?



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Insurance Bureau of Canada

Toll-free: 1-844-2ask-IBC (1-844-227-5422)

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IBC  BAC

Commercial Insurance for small businesses



COMMERCIAL INSURANCE Q & A

Q&A



Questions to ask your insurance representative

No matter how well you plan, operating a business comes with an element of risk and unpredictability. Your commercial insurance policy should be able to provide some peace of mind, as long as you understand what you have purchased. The following questions may help guide you in discussions with your insurance representative.

While this brochure is intended to provide answers to basic insurance questions, your insurance representative is the best resource for any specific questions you may have.

1 What kind of insurance do I need?

Depending on whether your business is run from your home or rented premises, you may or may not need building coverage in the event that an insured loss causes damage. However, virtually all businesses need stock or equipment coverage to help replace or repair damaged property and contents if an insured loss should occur. “**Extra expense insurance**” is available to cover the expenses necessary to get your business operating immediately following an insured peril or loss while “**business interruption insurance**” is available to compensate for loss of income while your business is shut down following an insured loss. Most stores or offices may be covered by a package policy which would include either extra expense or business interruption insurance.

“**Liability insurance**” is important coverage for any business. Whether your business is home-based or not, you could be held liable for any bodily injury or property damage resulting from a business interaction. In addition, liability insurance would provide costs for your defence. If you act as a consultant or offer professional advice or services to clients, you should have “**errors**

and omissions” (E&O) or “**professional liability**” coverage.

Any vehicles used by your business will require coverage provided by an automobile insurance policy. Crime coverage protects businesses against losses from burglary, robbery and theft, while a fidelity bond protects larger businesses from employee theft.

While store or office package policies are available to most new businesses, some businesses such as manufacturers, importers, exporters or professional consultants may require specialized coverage.

Talk to a life and health insurance representative if you wish to offer health, disability or life insurance as a benefit to your employees. And don't forget about workers' compensation coverage. Depending on the type of business you operate, you may be required by law to participate. If not, you may wish to participate voluntarily. Workers' compensation coverage compensates

injured workers for lost income, health care costs and other costs stemming from a work-related injury; employers who have it are protected from being sued by workers if they are injured on the job.

2 Are there perils for which I can't buy insurance?

Some policies provide more coverage than others but no policy covers everything that could go wrong. Insurance is intended to protect you from loss or damage from unforeseeable events. Wear and tear, for example, cannot be insured. Losses or damage caused by acts of terrorism are unlikely to be covered by your insurer. Pollution coverage may not be available depending on your business.

3 Are there circumstances under which water damage would be covered?

Yes, but it depends on the coverage you purchased under your own insurance policy. Water damage is one of the major causes of loss. Different insurance options may be

available. For example, inventory destroyed by water gushing from a broken water pipe or water entering from openings caused by an insured peril, such as wind, may be covered. You may be able to purchase sewer backup insurance, depending on your circumstances, to cover damage from water or raw sewage backing up through your drains.

4 Do I have to take what's offered?

No. Speak with your insurance representative to ensure all possible avenues for coverage have been explored. He or she understands what options are available and can help provide you with the best selection and price. Make a decision based on what coverage you need, your own perception of risk and how much you can afford either in premiums or in losses that you can cover yourself.

5 Will my homeowner's policy cover my home business?

Your homeowner's policy is not designed to adequately cover your business, regardless of how large or small your business may be. Some insurers offer an endorsement for small home-based businesses. Commercial insurance is the best option for any business. You must also advise your home insurance representative when you start a home-based business such as a daycare. Your home is no longer what it was when you originally insured it: it's now a home and a business.

6 If my business is home-based, do I need liability coverage?

Yes. Liability is perhaps, the greatest risk with a home business. Most businesses provide some product or service for which they are

liable. For example, a courier may slip and be injured on your icy walkway while delivering a parcel addressed to your home business. If you damage someone's scalp with a hair treatment in your home salon or if a client trips on the stairs to your basement office, you may find yourself in a legal mess. Similarly, if you run a daycare business in your home, having the right insurance coverage helps to provide peace of mind. While the personal liability portion of your homeowner's policy will not provide coverage for such events, commercial liability insurance would cover most damages awarded against you and would pay the legal costs to defend you in a lawsuit.

7 What does errors and omissions or malpractice insurance cover?

If you are paid to give professional advice, you need “**errors and omissions insurance**.” If you give a client professional advice that is inaccurate or incomplete and the client's business suffers as a result, errors and omissions insurance will cover the damages and defence.

“**Malpractice insurance**” will cover you if you provide a service that goes awry. For example, a hairdresser or dog groomer may consider malpractice insurance in case a treatment causes damage. You may also find this kind of insurance offered through professional associations.

8 What is business interruption insurance? What does it cover and do I need it?

Depending on the policy limits you select, business interruption insurance covers what your business would have earned during the period of shutdown following an insured loss plus continuing expenses. For example, if your garage business shuts down because of an insured loss, you would collect the income you would have expected from repairing cars

during that period. Expenses you no longer have to pay while your business is closed would be subtracted. Alternatively, extra expense insurance is available to cover expenses to get your business operating immediately following an insured loss. For example, you may need to rent equipment or lease temporary spacing in order to get your business back on track.

9 What is a deductible and how does it affect my premium?

The higher the deductible (the portion of a claim that you have to pay), the lower the premium (the cost of your insurance). Compare premiums with different deductibles, then decide whether the lower premium is worth the higher amount you would have to pay out of pocket if you had a claim.

Make a decision based on what coverage you need, your own perception of risk and how much you can afford either in premiums or in losses that you can cover yourself.

