

## Don't cut corners on insurance for your company

By BY STEPHEN WINDHAUS Scripps Howard News Service

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Over the years, many of my clients have purposely excluded insurance expense in the business planning process. Most were seeking outside capital investment, and they wanted to keep startup costs as low as possible. They soon learned no banker or venture capitalist is going to invest in your business, regardless of how attractive it may be, unless insurance is included. Even if the company doesn't need capital, there are certain conditions you do not want to face without insurance. Property loss, business interruption and liability are three good reasons to consider coverage.

### PROTECT YOUR PROPERTY

The first form of coverage that comes to mind is property insurance for your building, inventory, equipment, machinery and vehicles. However, you want to pay close attention to the coverage offered. Do not assume that simply because the company owns no building, machinery or product inventory, that this form of coverage is not necessary. Other forms of property include vehicles, office equipment, furniture and cash (in the case of robbery). There are two types of property insurance coverage — standard and special, or all-risk. Standard insurance will cover each particular class of property. In other words, you would have to secure a policy for each category of property. Special, or all-risk coverage is a comprehensive policy that addresses all categories of property in a broader range of loss conditions.

Property insurance begins with you creating a list of all tangible assets, the present, appraised value and salvage value of each item. Submit this list to the insurance agent for review to insure the best of coverage at the lowest possible premium.

And here's a "heads up" for home-based business, including sole proprietors. The cost of home insurance is rising in many parts of the country. Make sure your agent examines that policy to avoid over-insurance. The home policy just may cover part of your business property.

### WHAT HAPPENS WHEN THE LIGHTS GO OUT — BUSINESS INTERRUPTION

I have written about preparing the business for natural and manmade disasters. There are many things you can do to protect property and company data, but what happens when the business is interrupted for days, weeks or months because of a wildfire,

hurricane, tornado or some other form of disaster. Just ask the business owners in New Orleans how long it has taken to open the doors and generate sales after Hurricane Katrina. A solution to this cash-flow nightmare is business interruption insurance. You can be certain the flood (forgive the pun) of natural disasters in recent years, combined with some recent predictions, that lenders and entrepreneurs alike are taking a closer look at this form of insurance.

## **LIABILITY**

Generally, it is a common decision at startup to incorporate the business to protect assets from liability loss. But what is one to do when faced with legal responsibility from harm caused to others. This can result from actions or inactions by you or your employees that result in bodily injury or property damage. It could be due to defective products, bad service or installation actions. With all due respect to the legal system, there are times when one lawyer conducts a better job than another. Innocence is no guarantee of winning the case. And how many times has a lawyer decided to settle out of court to avoid excess legal expenses? Regardless of guilt or innocence, you want to consider liability coverage.

## **SHOP AND COMPARE**

My insurance needs have been serviced by only one agent in the last 18 years. Fortunately, he has taken good care of me, but don't think I haven't gone out to compare prices and coverage. Loyalty is a wonderful character trait, but business is business. You need to insure getting the best bang for the buck. Shop around and compare the premium costs to the coverage provided. And please stay within your budget.

And talk with an insurance broker who carries commercial liability policies, to see if there are some tailored to your industry or profession.

Stephen Windhaus is a small business consultant based in Port St. Lucie. You can contact him at [steve@windhaus.com](mailto:steve@windhaus.com) or (772) 871-0585.



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