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## South Florida BUSINESS JOURNAL

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# Property/casualty insurance vital to firms' health

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The most valuable tool in any company's arsenal against unexpected events is a good property/casualty insurance policy with appropriate coverage.

"Many companies don't purchase enough insurance, particularly fledgling companies," says Loretta Worters, vice president of the Insurance Information Institute, a New York City-based nonprofit organization. "The reality is many businesses never reopen their doors after a disaster because they don't have the right amount of coverage."

In fact, 55 percent of small firms have no business-interruption insurance, 65 percent don't understand what their coverage provides and 60 percent say they lack sufficient information to help them make informed decisions about the amount of coverage they need, according to the Insurance Information Institute.

Buying the necessary amount of insurance requires business owners to do some homework, but the payoff is worth the effort. First, consider all of the risks that could interfere with business operations, including legal issues, human behavior, technology errors, severe weather and other disasters.

The amount of insurance a business needs correlates to the level of risk it faces. For example, restaurant owners should consider insurance for food spoilage and liability insurance in case a customer becomes ill and files a lawsuit.

While large corporations often have a risk manager on staff to assess the need for insurance, smaller companies must rely on a knowledgeable agent or broker. "A risk assessment determines how much a business can absorb in uninsured losses," says Tim Wagner, a member of the Kansas City, Mo.-based National Association of Insurance Commissioners' Property and Casualty Insurance Committee.

At least cover the basics

"We advise businesses to at least get the basics," says Worters. "Consider personal business property, liability insurance, business income and insurance for the building if you own it. The most simple type of policy is a business owner's policy."

A business owner's policy includes property insurance for buildings and contents owned by the company, business-interruption insurance to cover the loss of income resulting from a fire or other catastrophe that disrupts the operations, and liability protection, which covers the company's legal responsibility for harm caused to others as a direct result of the actions of the company or its employees.

However, Worters warns that a business owner's policy doesn't cover disasters such as floods, earthquakes or acts of terrorism. Nor does it cover professional liability, auto insurance, workers' compensation, life or health and disability insurance. Separate policies must be bought to cover professional services, vehicles and workers.

'Carefully consider limits'

A reputable insurance agent can explain the types of insurance available and customize a policy to suit a company's needs, says Madelyn Flannagan, vice president of education and research for the Independent Insurance Agents & Brokers of America in Alexandria, Va.

"Carefully consider limits that are sufficient to cover the type of work you do, the product you sell and the amount of interaction you have with the public," says Flannagan. "Limits typically begin at \$1 million per occurrence, but you can purchase more coverage in \$1 million increments by using an umbrella or excess policy."

General liability insurance includes:

- Bodily injury
- Property damage
- Personal injury or advertising injury: Personal injury refers to harm to another person's or company's reputation or basic rights. Advertising injury refers to harm caused by an advertisement, such as an ad slandering a competitor.
- Products and completed operations injury: Product coverage is extended to any harm a company's products might cause, including injury arising from completed operations, such as repair work or electrical installations.

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Flannagan stresses that having the proper insurance coverage is important for businesses seeking a loan or trying to obtain occupancy in a commercial building.

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Quick tips:

- Assess the risks associated with your business.
- Shop around for a knowledgeable, reputable insurance agent or broker.
- Make sure the policy is customized to meet the specific needs of your company.
- Obtain policy limits that are sufficient to cover the type of work your business performs, the product it sells and the amount of interaction that takes place with the public.

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