

Small Business

Insurance Needs

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Regardless of the size or type of business in which you are involved, insurance must be considered in the overall financial planning. Your business will likely have employees, inventory, real and personal property, all of which will need to be protected. A more important consideration, perhaps, is a business' exposure to third party liability suits. Thus, insurance should be purchased to cover risks that the business cannot afford, through payment of a premium that the business can afford.

As part of the financial plan for any size business, retaining an insurance professional, preferably one who can handle all of your insurance needs, is crucial. There are policies available that are specifically designed to cover most of a small business' insurance needs. Whether your business involves retail, wholesale, manufacturing, professional advisory services, or other types of services, there are a number of risks that should be protected by insurance.

Business Property Insurance should protect your business from a variety of losses and should include owned buildings, the business' personal property (equipment, computers, furniture, etc.) and loss of income. Property insurance can be customized to meet the needs of your particular business including options for Employee Dishonesty, Forgery and Valuable Papers and Records coverage.

A Comprehensive General Liability (CGL) policy is designed to provide coverage for claims by third parties and may provide you with a legal defense if brought into litigation. Such liability coverage may cover property damage and bodily injury arising out of your premises, products and completed operations. It can also include coverage for personal and advertising injury and certain contractual liabilities. Additional general liability coverage options include Employee Benefits Liability, Automobile Liability and various types of Additional Insured coverages.

Depending on the services your business provides, a Professional Liability, Malpractice, or Errors and Omissions Policy might be appropriate to cover certain liabilities that may be excluded under your CGL policy. This type of coverage may be necessary for businesses engaged in professional services such as doctors, lawyers, engineers, realtors, insurance agents and the like.

As your business will likely have employees, Workers Compensation insurance will be mandatory under most states' laws. Workers Compensation insurance is state regulated and designed to cover certain injuries suffered by employees in the course of their employment. Such policies not only provide coverage to an employer when an employee is injured during the course of employment, but also may provide gap coverage when an employer is sued,

which generally is not covered under a CGL policy.

In order to best protect your business and personal assets, excess liability coverage should be considered over and above the maximum limits your primary carrier may provide.

The first step in assessing your company's insurance needs is to analyze your business risks and retain a reputable insurance professional early on. Second, review the types of insurance coverages outlined and inquire into other coverages that could be tailored to meet your business' needs. Third, clearly communicate all necessary information to your insurance professional, including the details of the business and the number and types of employees. An innocent misrepresentation or failure to disclose material information could be grounds for an insurer to void a policy. Fourth, do not allow lapses in coverage due to non-payment of premiums and do not deal with insurance carriers with substandard ratings. Fifth, once insurance coverage is in place, continuously re-evaluate your business insurance needs as your business grows and changes.

Finally, familiarize yourself with the terms of each policy and the exclusions contained in them. The law requires that you read your policy and, absent an ambiguity, may enforce the policy as written. While insurance is a means whereby an insurer agrees to protect its insured against losses, it does so for specified losses, subject to various provisions, exclusions and conditions, and does not cover every loss. Knowing the scope and limitations of coverage purchased allows a business to manage the risks presented by its operations. •

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