

What You Need to Know When Buying Business Insurance

Buying Business Insurance Can be Very Confusing

What type of business insurance do I need? How much is enough? What is covered? What is not, and so on. Often times what you think should be covered is not, and even when it is the policy language is confusing. You must determine what types of perils your company faces and determine how to address the most important ones without making you go bankrupt. Its not the run of the mill loss you should be worrying about but the ones you may be overlooking and the major catastrophe that will spell the end our your business if you aren't properly covered. This is why it is so important to have an experienced business insurance agent to review your company's situation and develop a customized and comprehensive Risk Management solution that you understand and is appropriate for your particular industry.

Below are some of the essentials you should know about Business Insurance. This is by no means a comprehensive list but rather a starting point for the building blocks of a Business Insurance program. They should give you a better understanding of the basic types of coverage you may need, what they do and prepare you to ask the right questions when speaking with an agent.

The Essentials of Business Insurance

Business Property Insurance covers any property that your business owns such as equipment, inventory and office equipment. It should also include coverage for anyone else's property you may have on your premises that you are liable for. Many people underinsure their property thinking that they are saving money, while not being aware that there could be severe penalties in the event of a loss. Business Property Insurance may also include building insurance if you own your building or are on a triple net lease that requires you to insure the building you occupy

Inland Marine Insurance is a very strange term to most people. Intuitively one thinks they do not need it if they do not have property going on the ocean. However, the term simply means property covered places other than those listed on your policy. Examples are contractor's equipment used at jobsites or property you may have at another location.

Business Interruption Insurance covers the loss of income and profits you suffer due to an insured loss. It helps you continue paying the bills while your business has been



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disrupted and any extra expenses for things you must temporarily pay for such as a short-term lease at another location or equipment.

It is **Important to Understand** that Coverage is **Limited** to the “**policy language**” which can be very confusing. Most policies do not include coverage for Earthquake, Flood, Utility Failures, Terrorism, and certain types of Machinery and Equipment

Breakdowns. Coverage can be bought for these types of losses, but it needs to be discussed with your agent to determine if you really need to spend the extra money.

Business Vehicle Insurance covers cars and trucks your business owns, rents, or uses. Your business can be liable for employees driving their cars on company business, so be sure to have non-owned and hired auto coverage on your policy. There are some good Risk Management techniques to help minimize your potential losses in the auto liability area, so be sure to discuss this with your agent.

General Liability Insurance covers injury or damage your company may cause to others. This can include your premises, products, services, employees, advertising, and many other areas. Risk Management can substantially reduce your exposures and can help you reduce or transfer your company’s risk.

Employment Practices Liability Insurance (EPLI) covers harassment, discrimination, and wrongful termination of employees. Litigation expenses can be your biggest cost for these claims, and many people do not have this coverage. Even if you have a well-run company, someone can still make a costly allegation and you will rack up large legal fees that can be detrimental to your company’s health.

Employee Benefits Liability Insurance (EBLI) covers the error or omission of administrating your company’s benefits program and protects you from being liable. An example would be forgetting to add a new employee to your Group Health Plan after their waiting period ends. If this happens, and the employee has an illness, EBLI kicks in to cover them and protects you from being responsible. This can often be endorsed onto your General Liability policy inexpensively.

Umbrella Liability Insurance covers additional limits for your General Liability, Auto Liability and Employers Liability (Worker’s Compensation). Most business insurance policies use \$1,000,000 as a standard limit, so if you want two, three, five million or more you can buy it with an Umbrella Liability policy.

These are the basics of a good Business Insurance Program. However, every business is different and is exposed to different risks. Some businesses may not need all the types of coverage listed above, while others may need much more. This is why it is important to consult an expert who can sit down with you and understand your business and the risks



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you are exposed to. Then you can work together to come up with a comprehensive plan that is both appropriate for you company and affordable. Having the correct coverage will not only help you sleep at night but will ensure your company's success and growth, in the future.