



Insurance FYI: Small Business Insurance Basics

CYA AND YOUR ASSETS

WHERE THINGS CAN GO WRONG

- *Someone or something gets physically damaged.*
- *You screw up on the services or products you were supposed to deliver.*

It only takes someone who THINKS you've done something wrong to find yourself in a lawsuit.

Even if the alleged violation has no merit, simply defending an allegation can be lengthy and extremely expensive.

MAJOR COVERAGES

Most small businesses need to purchase at least the following four types of insurance.

- **Property Insurance**

Property insurance compensates a business if the property used in the business is lost or damaged as the result of various types of common perils, such as fire or theft. Property insurance covers not just a building or structure but also what insurers refer to as personal property, meaning office furnishings, inventory, raw materials, machinery, computers and other items vital to a business's operations. It may also provide operating funds during a period when the business is trying to get back on track after a catastrophic loss.

- **General Liability Insurance**

Any enterprise can be sued. Customers may claim that the business caused them harm as the result of, for example, a defective product, or disregard for another person's property. Or a claimant may allege that the business created a hazardous environment. Liability insurance pays damages for which the business is found liable, up to the policy limits, as well as attorneys' fees and other legal defense expenses. It also pays the medical bills of any people injured by, or on the premises of, the business.

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- **Business Auto Insurance**

A business auto policy provides coverage for autos owned by a business. The insurance pays any costs to third parties resulting from bodily injury or property damage for which the business is legally liable, up to the policy limits.

A frequent request of contracts is to have "hired and non-owned auto" coverage, which is not a standalone business auto policy, but can be included in the General Liability. Non-owned & hired auto liability covers bodily injury and property damage caused by a vehicle you hire (including rented or borrowed vehicles) or caused by non-owned vehicles (vehicles owned by others, including vehicles owned by your employees). It usually does not pay for physical damage to the vehicle itself; that's covered by the owner's insurance.

- **Workers Compensation Insurance**

In all states but Texas an employer must have workers compensation insurance when there are more than a certain number of employees, varying from three to five, depending on the state. Workers comp insurance, as this coverage is generally called, pays for medical care and replaces a portion of lost wages for an employee who is injured in the course of employment, regardless of who was at fault for the injury. When a worker dies as a result of injuries sustained while working, the insurance provides compensation to the employee's family.

Know the rules of what defines an employee v. an independent contractor. Even if you mutually agree it's an "independent contractor" relationship, the government has the final say.

OTHER TYPES OF BUSINESS COVERAGES

- **Errors and Omissions/Professional Liability**

Some businesses involve services such as giving advice, making recommendations, designing things, providing physical care or representing the needs of others, which can lead to being sued by customers, clients or patients claiming that the business's failure to perform a job properly has injured them. Errors and omissions or professional liability insurance covers these situations. The policy will pay any judgment for which the insured is legally liable, up to the policy limit. It also provides legal defense costs, even when there has been no wrongdoing.

- **Employment Practices Liability**

Employment practices liability insurance covers (up to the policy limits) damages for which an employer is legally liable such as violating an employee's civil or other legal rights. In addition to paying a judgment for which the insured is liable, it also provides legal defense costs, which can be substantial even when there has been no wrongdoing.

Thanks for your time. I'd like to think I get what you do. I'm here to help.

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