

HANDOUTS

When Disaster Struck Our Office

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Vista Room

What Does a Business Owners Policy (BOP) Cover?

Insurance companies selling business insurance offer policies that combine protection from all major property and liability risks in one package. (They also sell other coverage separately.)

One package purchased by small and mid-sized businesses is the Business Owners Policy (BOP). Package policies are created for businesses that generally face the same kind and degree of risk.

BOPs include:

1. Property insurance for buildings and contents owned by the company as well as other people's property brought into the office building. BOPs cover standard perils, including fire and theft, although certain exclusions apply, such as damage caused by floods and earthquakes.
2. Business interruption insurance, which covers the loss of income resulting from a fire or other catastrophe that disrupts the operation of the business. It can also include the extra expense of operating out of a temporary location.
3. Liability protection, which covers your company's legal responsibility for the harm it may cause to others. This harm is a result of things that you and your employees do or fail to do in your business operations that may cause bodily injury or property damage due to defective products, faulty installations and errors in services provided.
4. Add-on coverage based on the particular risks associated with the company: For a Property Management Office with one or more employees, you should strongly consider carrying coverage for employee dishonesty, which covers loss of business property due to embezzlement, fraud or another criminal act.
5. *Additionally, BOPs do NOT cover professional liability, auto insurance, worker's compensation or health and disability insurance. You'll need separate insurance policies to cover professional services, vehicles and your employees.*

When purchasing business insurance it's important to be sure that your company is neither over-insured nor under-insured. List all company assets — including property, equipment and inventory — to help you decide the amount of insurance you need.

An insurance agent or broker can help you identify risks and determine the type of coverage needed in order to fully protect the company.

What Insurance Do I Need as a Small Business Owner?

Property Coverage:

- Building Owned or Leasehold Improvements
- Other Structures
- Permanently installed fixtures & equipment
- Office Equipment & Furniture
- Paper files and software
- Electronics (Computers, Server Infrastructure, wiring, Copier/Printers)
- Leased Equipment (Postage Meter, Water Dispenser, Vending Machines, etc.)
- Offsite Storage of files, equipment, etc.
- Replacement Cost Coverage (NOT Actual Cash Value)
- Business Income (cover net income lost due to incident; cover payroll, etc.)
- Extra Expenses (renting temporary space & other related expenses such as moving costs; storage costs, etc.)
- Upgrades due to Code
- Demolition & Debris Removal

Liability Coverage:

- General Liability Coverage for accidents, injuries, claims of negligence, etc.
- Medical Expenses
- Professional Liability Coverage a.k.a. Errors & Omissions
- Umbrella Policy (Extends policy dollar limits at a much lower premium cost as it is secondary insurance)

Coverage Related to Employees:

- Workers Compensation
- Health Insurance
- Unemployment Insurance

Coverage for Business Vehicles:

- Business Auto Coverage
- Non-owned Auto Coverage

Other Considerations:

- Outdoor Signs
- Money & Securities
- Identity Theft Restoration & Data Compromise
- Employee Dishonesty
- Floor/Earthquake/Terrorism Coverage
- Swimming Pools & Hot Tubs at Managed Properties

Five Tips for Buying Business Insurance

From the US Small Business Administration - <https://www.sba.gov/content/buying-insurance>

Use these steps to assess what types of insurance are best for your business, and how to secure coverage to provide adequate protection and minimize risks.

1. Assess Your Risks. Insurance companies determine the level of risk they'll accept when issuing policies. This process is called underwriting. The insurance company reviews your application and determines whether it will provide all or a portion of the coverage being requested. Each underwritten policy carries a premium and a deductible. A premium is the price you pay for insurance. Premiums vary widely among insurance companies, and depend on a number of risk factors, including your business location, building type, local fire protection services, and the amount of insurance you purchase. A deductible is the amount of money you agree to pay when making a claim. Generally, the higher deductible you agree to pay, the lower your premium will be. However, when you agree to take on a high deductible you are taking on some financial risk. So, it's important to assess your own risks before you go shopping.

2. Shop Around. The National Federation of Independent Businesses provides information for choosing insurance to help you assess your risks and to make sure you've insured every aspect of your business. The extent and costs of coverage vary from company to company. Some brokers specialize in insuring specific types of business, while others can connect you with policies specific to your business activities. For example, if you operate a tow truck service, you'll want to find an agent that can help find policies that specifically cover automotive service businesses. Often specialist brokers can get you the best coverage and the best rates.

3. Consider a Business Owner's Policy. Insurance can be purchased separately or in a package called a business owners' policy (BOP). Purchasing separate policies from different insurers can result in higher total premiums. A BOP combines typical coverage options into a standard package, and is offered at a premium that is less than if each type of coverage was purchased separately. Typically, BOPs consist of covering property, general liability, vehicles, business interruption and other types of coverage common to most types of businesses. BOPs simplify the insurance buying process and can save you money. However, make sure you understand the extent of coverage in any BOP you are considering. Not every type of insurance is included in a BOP. If your business has unique risks, you may require additional coverage.

4. Find a Reputable, Licensed Agent. Commercial insurance brokers can help you find policies that match your business needs. Brokers receive commissions from insurance companies when they sell policies, so it's important you find a broker that is reputable and is interested in your needs as much as his own. Make sure your broker understands all the risks associated with your business.

Finding a good insurance agent is as important as finding a good lawyer or accountant. You should always look for one that has a license. State governments regulate the insurance industry and license insurance brokers. Many states provide a directory of licensed agents.

5. Assess Your Insurance Coverage on an Annual Basis. As your business grows, so do your liabilities. You don't want to be caught underinsured should disaster strike. If you have purchased or replaced equipment or expanded operations, you should contact your insurance broker to discuss changes in your business and how they affect your coverage.

Tips for Managing Costs for Small Business Insurance

1. **Bundle Coverage Where Possible**

Just like with your personal home & auto, bundling them together under one company can have a dramatic effect on your premiums as well as managing renewals in a less time consuming manner

2. **Evaluate Deductibles**

The more you are willing to risk in the event of a claim will also have a huge effect on the premium you pay. This self-insurance is a double edged sword as too high of a deductible without adequate savings to cover it can result in tough times to cover the cost not paid on the claim.

3. **Meet With Your Agent Once A Year For Review**

Our business can change rapidly and an annual checkup is not a bad idea. A quality and informed agent can easily spot holes in your coverage based on your changes from year to and year and help you keep the protection you need at a price you can live with.

4. **Work Towards Stronger Risk Management In Daily Operations**

Your best defense is a good offense! Take measures to re-evaluate your policies and procedures each year to make sure that your current risks are reasonable, measured and offer the best balance of protection vs. ease of use. For example, a change you might make in employee dishonesty is to have one person make deposits and one write checks. Requiring two signatures to all checks could be another.