

to ask your insurance representative

Questions



No matter how well you plan, operating a business comes with an element of risk and unpredictability. Your commercial insurance policy should be able to provide some peace of mind, as long as you understand what you have purchased. The following questions may help guide you in discussions with your insurance representative.

Please note, the answers provided are very general, so ask your representative for details related specifically to your policy.

1. What kind of insurance do I need?

It depends on what kind of business you operate. Building, stock and equipment coverage will help replace or repair damaged property and contents. This would be very important to a corner store, for instance, where a fire has destroyed the fresh food stock. You may need business interruption insurance to compensate you for loss of business while you are shut down following a disaster, fire or burglary, for example. Liability insurance is important should you find yourself paying to compensate a client or customer for damage or injuries related to something your business did or did not do. If you offer professional advice to clients, you should have errors and omissions coverage. Any business with vehicles on the road requires an automobile insurance policy for the commercial vehicles.

Crime coverage will protect your business against losses from burglary, robbery and theft, while a fidelity bond will protect your business from theft by employees.

Talk to a life and health insurance representative if you wish to offer health, disability or life insurance as a benefit to your employees. And don't forget about workers' compensation coverage. Depending on the type of business you operate, you may be required by law to participate. If not, you may wish to participate voluntarily. Workers' compensation coverage compensates injured workers for lost income, health-care and other costs stemming from a work-related injury; employers who have it are protected from being sued by workers if they are injured on the job.

2. What's not covered in my policy?

This is very specific to your circumstances and your policy. Your insurance representative will be able to answer this question. Feel free to ask about all of the possibilities for loss.

3. Are there risks or hazards for which I cannot buy insurance?

No policy covers everything that could go wrong. If it did, premiums would be impractically high and unmarketable. Insurance is intended for unforeseeable events. "Wear-and-tear," for example, cannot be insured. As a result of the events of September 11, 2001, it is not likely that losses or damage caused by acts of terrorism are covered by your insurer.

For more information about commercial insurance in your region, contact your insurance representative, call Insurance Bureau of Canada at the numbers listed below or visit IBC on the Internet at www.ibc.ca. Insurance Bureau of Canada represents the private (non-government) insurance companies that protect your car, home and business.



Head Office/Ontario office:

151 Yonge Street, Suite 1900
Toronto, Ontario M5C 2W7
(416) 362-2031;
Consumer information:
(416) 362-9528 or 1-800-387-2880

Prairies, Northwest Territories and Nunavut:

10080 Jasper Avenue, Suite 801
Edmonton, Alberta T5J 1V9
(780) 423-2212;
Consumer information:
1-800-377-6378

British Columbia and Yukon:

510 Burrard Street, Suite 1010
Vancouver, British Columbia V6C 3A8
(604) 684-3635;
Consumer information:
(604) 772-3777

Quebec:

500 Sherbrooke Street West,
Suite 600
Montreal, Quebec H3A 3C6
(514) 288-4563;
Consumer information:
(514) 288-6015 or 1-800-361-5131

Atlantic Provinces:

1969 Upper Water Street, Suite 1706
Halifax, Nova Scotia B3J 3R7
(902) 429-2730;
Consumer information:
1-800-565-7189

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4. Are there circumstances under which water damage would be covered?

Yes, but it depends on what you have purchased under your own insurance policy. For example, inventory destroyed by water gushing from a broken water pipe may be covered. Sewer back-up insurance may be purchased, depending on your circumstances, to cover damage from raw sewage backing up through your drains.

5. Do I have to take what's offered?

No. If you use an insurance broker, ask whether all possible avenues for coverage have been explored. If you use an agent who represents just one company, you can check out others yourself. Sort out the apples from the oranges. The price will tell you one thing and the product quite another. You will need to make a decision based on what coverage you need, your own perception of risk and how much you can afford either in premiums or in losses.

Canada's private insurance industry is highly competitive with almost 100 companies providing commercial insurance.

6. Will my homeowners' policy cover my home business?

Possibly. The limits on a homeowners' policy may not be high enough for the equipment you use for your business. With a typical limit of about \$2,000 you may not be able to replace your computer, fax machine, scanner, and digital camera, for instance. It wouldn't take much to lift \$2,000 worth of construction tools out of a basement either. So, it may be

worthwhile to pay for additional coverage now to ensure you can replace everything you might lose later.

If you take your work outside, your equipment is *not* covered under a homeowners' policy. So, either don't put your laptop down for a moment, or buy a separate policy for it.

(If you decide not to purchase insurance specifically for your home-based business, you must advise your home insurer of the existence of your business. Your home is no longer what was originally insured; it's now a home and a business.)

7. If my business is home-based, do I need more liability coverage than my home insurance policy provides?

Yes. If you damage someone's scalp with a faulty home perm or have a client trip on the stairs to your basement office, you may find yourself in a legal mess. In addition, if you are on a business visit to a client's office or home and, for example, knock bleach onto the carpet, you may also face legal action. Business liability insurance would cover most damages awarded against you and would pay the legal costs to defend you in a lawsuit.

8. What does "errors and omissions" and malpractice insurance cover?

If you are paid to give professional advice, you need errors and omissions insurance. If you give a client professional advice that is inaccurate or incomplete and the client's business suffers as a result, "E and O" will cover the damages and defence.

Malpractice insurance will cover you if you provide a service that goes awry. For example, a

hairdresser or dog groomer may consider malpractice insurance in case a treatment causes damage. You may also find this kind of insurance offered through professional associations.

9. What is business interruption insurance? What sorts of things does it cover and do I need it?

If your business has to shut down temporarily because of an "insured peril" (something listed in your insurance policy such as fire, theft, water damage, etc.), you would be out of pocket for the lost revenues during that period unless you have business interruption insurance. It would pay you what you would have earned during the period of shutdown. A garage owner, whose business has suffered fire damage, would collect the income he would have expected from repairing cars during that period. Expenses you no longer have to pay while your business is closed would be subtracted.

10. What is my deductible and how does it affect my premium?

The higher the deductible (the portion of a claim that you have to pay), the lower the premium. Compare the premium with different deductibles, then decide whether the lower premium is worth the higher amount you would have to pay out of pocket if you had a claim.

11. What can I do to keep my insurance costs down?

Choose the highest deductible you can manage.

Reduce your risk of a loss through damage, theft or errors. If you are a professional, keep your credentials and skills up to date to be sure your advice and services are sound. Ask your insurer for an inspection of your premises to help identify any exposures to damage or theft. You both have a vested interest in minimizing the frequency and severity of losses.

Protect your computer hardware, software and files by ensuring you have current virus protection software on your e-mail system and a firewall to block hackers. Have a back-up plan in case of a power, Internet provider or telephone system failure. Only use suppliers that have similarly adequate back-up supports.

If it's appropriate to your business, consider installing sprinklers, an alarm system and a control system for handling cash.

Ask your insurance representative if there are any discounts available for these or other provisions.

Remember, there is no such thing as a dumb question, so don't hold back!



Answers