



Your Business Insurance Policies: Will They Put Out Your Fire?



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About the Author:

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Most small business owners wear too many hats to count. Typically, one of those hats includes that of risk management. Risk management can mean a lot of different things, but for the purpose of this article, we'll focus on business insurance. Quite often, business insurance is like a fire extinguisher: it hangs unnoticed on the wall without much real attention, but when we need it, we are going to put all of our trust in it to protect us. The question is – will it work?

Almost all entities need business insurance of some sort. While the types of coverage required can vary, there are some basic practices that apply to all. Start by finding a good insurance agent to work for you. Don't assume that all agents are the same. They are not. Different agents represent different insurance carriers. They may have an expertise in a certain industry, such as construction or healthcare. Some agencies offer value-added features like training, on-line tools, and complimentary services from consultants in areas including human resources, benefits, and safety. Ask others in your industry who they use as an agent; also inquire of your existing professional service providers, like your accountant or lawyer, who their firm uses. Try to interview at least three agencies and understand their process for reviewing your coverage and taking it to market on a regular basis to ensure that the product and price you are receiving is the best available and will meet your business needs.

Now that you have a dedicated agent and have secured your coverage; what do you do with your business policies when you receive them? If you are like most business owners, you put them in a drawer or on a shelf somewhere and hope you never have to use it (like the fire extinguisher). But what *should* you do when you get it? As painful as this sounds, you need to read it. Most policies are written with technical language and are difficult to understand. For most of us, we can read each paragraph three times and still not grasp what it actually says. However, we can start with the basics. Review the things that you can understand. These might include:

- Is the company name correct on the policy?
- Is the address for each insured location correct?
- Is the level of coverage listed on the declarations page(s) what you thought it should be?
- Are other entities that should be additional insureds actually listed?

While these things seem obvious, you would be surprised at how often they can be incorrect. You might be thinking, “Well doesn’t my agent make sure that all of this is correct?” The answer is, “Yes, sort of...” Remember, most good agents may be working with hundreds of clients. They do review the policies, but to expect that they can catch every detail is unrealistic. In addition, as busy owners, we don’t always provide them the updated information that they need to ensure that the policies are accurate.

Now that you’ve checked out the easy stuff, it’s time to move to the meat of the policies. Here is where you might need some coffee or a good energy drink. Don’t try to read the entire policy at one time. Break the document(s) into small sections and set aside some quiet time to read through each section at least once. If you don’t understand everything (and most of us will not), don’t worry – get what you can out of it. You may be surprised at what is and is not included in the coverage. Write notes where you have questions.

Once you have completed your review, you can meet with your agent to go over any questions and concerns and make appropriate changes. The changes will come by way of endorsements to the current policy. This process can take a while, so mark on your calendar or a to-do list to follow-up in thirty or sixty days to ensure that the endorsements were completed, you have received them, and they are correct.

How often should you review your insurance policies? After doing a thorough assessment, it can be much easier to manage in subsequent years. You won’t need to read the entire policy (unless you change carriers). You can look at the document/form number assigned to each section and compare it to the prior year’s policy. If it is different or an entirely new addition, you will want to review that segment for changes. If it has not changed, it is the same as what you read last year.

As I mentioned previously, the policies are only as good as the information that we provide to the agent. During the year, you have to keep track of things like new equipment purchases, building improvements, additions/reductions in space, changes in your business, etc. You want to report these to your agent immediately so that he/she can adjust your policies as appropriate.

There is an alternative to doing the review yourself. You can hire an insurance consultant to do it for you. Our company did this several years ago, and it was very beneficial to ensuring that we have the coverage that we want and need. For a small business, the cost involved in this may seem prohibitive, but you have to consider what your costs might be if your insurance fails when you need it the most.

So to answer the question, “Will my fire extinguisher work when I need it?”; the answer is – there is a greater chance that it will work if you have paid attention to it and have had it properly serviced. The same is true for your business insurance. At the end of the day, the responsibility lies with us, the business owner. Pay attention to your business policies, and when/if the time comes that you have to put your trust in them; they are much more likely to “protect you”.

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I would be happy to assist you with any of your questions. Please call 941-365-4617 or email me at toneill@kbggrp.com.