

| ASK THE MONEY GUY |

Q
&
A

Peace of mind

Q: What kind of insurance does my business need?

By Joe Worth

A: Zzz, what? Oh yeah, insurance—a boring topic until the day it saves your business from destruction or lets your startup idea get off the ground. Just ask home-sharing company Airbnb or car service Lyft, which were stuck in their tracks until they found an insurance company willing to cover their unique business models.

But even a run-of-the-mill company needs insurance beyond health and payroll coverage—usually much more than first-time entrepreneurs realize. Here are the ones you can't do without. (Note: For small businesses, these are often lumped into a “commercial” or “business” package.)

• **Property insurance** covers real estate and

buildings you own, including improvements to those properties, and personal property such as equipment, fixtures and furniture.

• **General liability insurance** covers damages resulting from your or your employees' negligence or wrongdoing. These can be direct claims and costs, a judgment or settlement of a lawsuit and legal defense costs. Make sure this includes products liability.

• **Inland marine coverage** insures against loss or damage to the business's property when it's not on your premises.

• **Professional liability insurance**, also called EGO (errors and omissions), depends on your company's size and governance structure. If you have a board of directors or an advisory board, the members will usually insist on this to protect themselves from liability.

• **Vehicle insurance** for businesses works much like personal car insurance. Be sure you have coverage on “hired or non-owned” vehicles, which covers you and your employees for use of rental cars on company trips or use of personal vehicles for company business. >>>

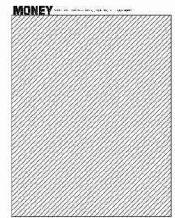


ILLUSTRATION © DAVID SCHWEN

- Separate from the commercial package is **umbrella liability coverage**. This important insurance covers you above and beyond your general liability policy for costly accidents. The payout limits run into the millions of dollars, but premiums are very low. Not having an umbrella could leave your business exposed to a crippling lawsuit that will wipe it out.

As to how much insurance you need, the answer is simple: enough to cover your business completely. Rolling the dice by skipping or skimping on coverage can cause irreparable damage to your business—and, in some cases, may be against the law. Enlist the help of a licensed insurance broker to assess your risks and shop for the best prices. A good one will welcome an annual review of your insurance structure and costs and will work aggressively to help you manage premium expenses while not leaving risks uncovered.

All it takes is one event—a fire, lawsuit or theft—and you'll be glad you did.

JOE WORTH, VICE PRESIDENT OF OPERATIONS AND PARTNER AT [B2B CFO](#), HAS BEEN A CFO FOR SEVERAL PUBLIC AND PRIVATELY HELD COMPANIES. @B2BCFO_NJ

Cover me

There's insurance for almost any possibility

National flood: Don't assume that your landlord's policy will cover damage to your property.

Terrorism: Sept. 11 showed us why this insurance may be necessary.

Data security: This comes in two types: protection against loss of your data and protection against loss of your customers' data.

Accounts receivable/credit: This pays what customers owe you if they go bankrupt. If you have large accounts and/or they are subject to sudden bankruptcies (like large retailers), this may be very good insurance to buy.

Business interruption/income: This can keep your business afloat if it's shut down for some unforeseen reason. Trust me, it happens.

Pollution: Those government penalties can be quite expensive.

Kidnap and ransom: This type of coverage can be a good idea for teams that travel to dangerous parts of the world.