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Business Insurance: Covering your Assets – A 12 Point Check List

Adequate business insurance could tip the balance between your company's survival or demise. Here's a checklist of 12 things that all business owners should be aware of when it comes to insuring their company.

1. Do Your Homework

Get your records updated, duplicated, and organized--and keep them that way. You need to maintain detailed records of all your business transactions, not just your insurance policy. If you should ever have to make a claim to recover losses due to an interruption of business (especially a claim for loss of income or extra expenses incurred due to business interruption), the faster you can get detailed information into the hands of your insurer, the faster you'll get your claim paid.

2. Valuation of Property

How will you be compensated for property damage? Property insurance usually falls into one of two categories: replacement cost valuation (the cost of replacing the property at current market value), or depreciated settlements (the cost of replacing the property, minus depreciation). In most cases, replacement cost value is the best way to go.

3. Waiting Periods

Examine your policy carefully for any "waiting period" that applies to business income losses. Such waiting periods are fairly common, and can last from 8 hours to 7 days -- or more. That means that any losses incurred during the period of time directly following an event will not be covered.

4. Extended Period of Indemnity

Check out if your business interruption insurance includes an extended period of indemnity. If it doesn't, consider trying to add it in. Remember, just because a business opens again, it doesn't mean that revenues will immediately return to normal.



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5. Exclusions and Limitations

Examine carefully what your policy does not include. Insurance policies are always rife with limitations and exclusions. Decide what's necessary to add in, and pay more for it if you think it's crucial. You don't want to be in a situation

where you think your policy covers your needs completely, only to discover that the fine print excluded the specific type of damage or loss you just experienced. Read your policy closely. You'll be glad you did.

6. War Clauses

Many insurance policies have a war clause, under which losses caused as a result of acts of war are excluded from coverage. But some policyholders get their insurers to include a "terrorism" exception to the "war" exclusion. Depending where your business is based, this terrorism exception may be useful to you.

7. Business Interruption Insurance

Business interruption insurance is very common and very commonly misunderstood. Basically, it is designed to cover the loss of income incurred if normal business operations are disrupted or halted by damage to property. If your business' location is critical to your ability to produce revenue, then business interruption insurance is vital.

8. Extra Expense Insurance

Basic business interruption insurance does not cover the extra expenses that you may incur if you have to move your business as a result of property damage. Ask your agent or broker if coverage in this area would be important for your business needs.

9. Co-insurance Clauses

A commonly misunderstood part of many insurance policies is co-insurance. Co-insurance clauses can create penalties if you are not insured to an adequate value at the time of a loss. Make a point of buying an adequate amount of insurance to cover the value of your property. In this way, you can avoid incurring any co-insurance penalties.



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10. Vet Your Salesperson

Remember - the simple fact of the matter is, an insurance agent's job is to sell insurance policies - not necessarily to sell coverage that's best for an your business. So it's worth your time to go out of your way to find someone who knows what they are talking about when it comes to your kind of business.

11. Limitations on How Claims are Paid Out

Read the fine print on your policy and check carefully for any mention of limitations on how your claim will be paid out. This is particularly the case with business interruption/extra expense insurance. For example, there may be a payout schedule where you only get 40% of the payment the first month, 40% the second month, and 20% the third month. You should try to eliminate all such limitations from your policy.

12. Other Types of Insurance

There are also other types of insurance to consider, depending on your business. These include Directors & Officers Liability Insurance, Employment Practices Liability Insurance, Commercial Crime/Fidelity Insurance, Professional Indemnity Insurance, Investment Managers Insurance, Banker Blanket Bond and Computer Crime Insurance, Financial Institution Professional Indemnity Insurance and Prospectus / IPO Liability Insurance amongst many others.