



## **7 Deadly Sins Commercial Business Owners Make with Insurance**

Each type of commercial real property needs specific coverage's to handle the risk factor for each type of building. Just like in a mixed-use building, a strip plaza risk will be determined by the make-up of the tenants. Some are low risk – like a barber shop for example and some are higher risk, like a Panera's – very high traffic. The one use buildings, think like a stand-alone doctor's office or dentist office, since just about all insurance companies want these type of risks. These are very easy to write and have very competitive rates from multiple insurance companies. Warehouses can be a little tricky, because the use of the building can be the determining factor for the rate. Something like a corrugated box manufacturer and warehouse, will have a higher rate than a cold storage building.

### **Sin #1**

#### **Not keeping an accurate running inventory.**

Many of our business insurance companies will endorse and/or allow for season swings in inventory – most common is \$25,000 extra. But more can be bought if needed.

## **Sin #2**

**Employee's are your best asset and also your potential worst enemy.**

So mistake #2 is not having some sort of employee dishonesty coverage on your small business insurance policy. You read just about weekly in the newspaper – “Jane Doe was charged with larceny for embezzling \$125,000 for ABC company”.

You should review how much damage even \$10,000 or \$20,000 would do to your company and make sure you have the appropriate coverage.

## **Sin #3**

**Power Failure Even if Not at Your Location.**

Not having coverage for “off-premises” power failure. Let's say lightning hits the power pole on the corner and knocks you out for two or three days. This loss of income would be covered if you had off-premises power failure coverage.

We recently had 3 claims on the same commercial district in Buffalo, where the transformer blew on a Friday, putting these businesses out of business for the day.

## **Sin #4**

**No Employment Practices Liability Coverage.**

Not having coverage for something we call EPLI, which is short for Employment Practices Liability Insurance. This would be for age discrimination, unlawful firing, harassment and other employment issues like “unsafe workplace” or “sexual harassment”. This can be as

simple as a manager telling a dirty joke to another employee and them claiming harassment or unsafe workplace.

### **Sin #5**

#### **No Hired or Non-Owned Auto Coverage**

When your employee is using their own vehicle to do errands for you, their auto insurance can (and does) deny coverage due to being used on company time. This would be like them going to the bank, post office or CPA for you.

If they are denied coverage on their auto insurance, your hired/non-owned insurance would pick this coverage up. It can be added to a commercial auto policy and/or a BOP policy, if no commercial auto policy needed.

### **Sin #6**

#### **You Carry Low Liability Limits or No Umbrella Policy**

Thinking that the “standard” coverage of \$300,000 liability is enough for your business. Most lawsuits start at \$1,000,000 and go up from there. We have a hairdresser client, who burned someone’s scalp and they only sued \$300,000 of liability protection. Luckily, the injured party only got \$125,000 in their settlement.

But it could have been much, much worse and that client of ours, now carries \$1,000,000 of liability coverage. But you can also carry an umbrella insurance policy to “go over” the underlying insurance, for a higher risk business (like a bar serving alcohol).

## **Sin #7**

### **No Annual Review of Your Risks**

Not doing an annual review of your insurance! Using 2 examples from our previous “sins”, you always went to the bank or post office yourself but now have an employee do that for you. Or the hairdresser bought 2 tanning beds but there is a tanning bed exclusion in his/her insurance policy (not all insurance companies allow tanning beds)

So an annual review of the changes that are going on in your business would be a good idea. This would eliminate any “gaps” or errors you could be making with your insurance policy.

Always be a pro-active, smart consumer of insurance!

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**P.S.-** *Independent insurance brokers like us, represent 10-15 different insurance companies. So if 1 insurance company won't write your type of business, the next one will. And if unhappy with an insurance company we can always change companies for you.*