

Insurance Needs of U.S. Businesses

Executive Summary

Business insurance protects the contents of a business against fire, theft and other losses. It can also protect business owners in cases of liability. Depending on a company's corporate structure, an owner may be required to acquire personal insurance. In this section, we introduce several types of business and health insurance—from the legal requirements to the most commonly used. Some insurance policies are designed for the employer, others for the employees. All are designed to protect the owner and the business. Insurance premiums will be calculated based on an assessment of the potential risk of loss, and will rise proportionate to a company's operating risk. This section is only a starting point and we strongly urge every business to consult a qualified insurance professional prior to starting its U.S. operations. The U.S. is a very litigious society and the laws change constantly so while having insurance is not always mandatory, it is prudent to purchase basic insurance policies.

Principal Business Insurance Policy Classifications

- *General Liability*

Business liability may take many forms in the pursuit of normal activity. General liability insurance covers damages due to actions or negligence on the part of the company or on the part of someone representing the company when such actions result in bodily injury, property damage, medical payments, and/or personal injury for customers or visitors on the premises. Property damage is also covered under the same circumstances. Factors that go into determining the extent of a company's needed coverage include the products produced and sold, the industry in which it is engaged, and the customer base.

- *Property*

Property insurance is meant to insure that a company can continue to do business in case of events such as theft, fire or vandalism where buildings, equipment, inventory and other property may be destroyed or impaired. A company will determine adequate coverage to replace or rebuild. Coverage applies to the owner whether operating on or leasing out the property; it will not protect tenants from loss. A company that is leasing out a property will need to take out its own property policy.

- **Commercial property insurance general classifications: named-peril and all-risk policies**

- Named-peril protects against losses resulting from perils the policy explicitly names. All-risk protects against all perils except those specifically named.

- **Commercial property insurance general forms: basic, broad and special**

- Basic usually covers damage from common causes such as fire, lightning, windstorm, vehicles, aircraft and civil commotion. Broad is Basic plus water damage, collapse, glass breakage, sprinkler leakage, and weight of snow, ice or sleet. Special covers loss under any threat except when specifically excluded.

- **Specialized commercial property insurance coverage for special threats: supplemental**

- Specialized policies to investigate include: Flood, Crime, Inland Marine, Automobile, Cargo, and Fire. These supplements are generally expensive.

- **Purchasing commercial property insurance: actual, replacement, or agreed-upon**

- Actual value equals replacement cost minus depreciation; replacement value covers the cost of replacing an item at today's price. An agreed-upon amount is commonly used for art objects and other unique items.

- *Workers' Compensation*

A company employing three or more people must carry this insurance. The employer is obligated for stated damage in the event of a work related injury or illness. Covered expenses include medical, loss of work time, and alternative training or related costs.



Optional Business Insurance Policy Classifications

Business Interruption	This insurance complements property insurance by reimbursing a company for loss of earnings due to operational interruption. Coverage generally includes fixed expenses—taxes, utilities and ongoing expenses—between the time the company is rendered unable to conduct business to the time it restores operations.
"Key Man"	Ensures operational continuity in the event of illness or death or during an ownership transition under these circumstances for an owner or another critical to a business operation. Obligatory by banks and government loan programs.
Automobile	Protects owner against liability for bodily injury and property damage on vehicles specifically designated as business vehicles as well as personal vehicles used for business relative to ownership, operation and maintenance of said vehicles.
Office and Director	Protects a company in the event that an officer or director of the corporation may become personally liable for their actions on behalf of the company.
Home Office	A home office is not automatically covered under a standard homeowner's policy.
Professional Liability	In the U.S., one can be held liable for rendering or failing to render services of a professional nature. Once mandatory only for doctors, this is the fastest rising policy for professionals and consultants as the financial risks continue to escalate.
Crime Protection	Reimburses business losses due employee dishonesty, including forgery, robbery, safe burglary, disappearance, destruction, computer fraud and extortion.
Umbrella Policies	For broad coverage for liability not taken care of by existing insurance policies, a typical umbrella policy takes over from other insurance policies when or if a company's losses or fees exceed the maximum amount covered by that policy.
Life Insurance	Generally, when large loans are issued to a business, the owner is required to have life insurance coverage, especially the loan is personally guaranteed.

Health Insurance

In the U.S. providing employees with health insurance is optional. Health insurance can be individual or group, and may cover medical, dental and eye plans.

Preferred Provider Organizations (PPOs)	PPOs make arrangements for lower fees with a network of health care providers. Policyholders have a financial incentive to stay within that network as staying in network means less out of pocket money and less paperwork. PPOs may not cover preventive care services but you may refer yourself to an in-network specialist.
Health Maintenance Organizations (HMOs)	Least expensive and least flexible of the plans, HMOs are geared toward group plan members. In exchange for no or a low co-payment and minimal paperwork, you may see only the HMO doctors. Your Primary Care Physician (PCP) provides all specialist referrals. Most emergency room visits require pre-approval.
Point-of-Service (POS)	Similar to a PPO, a POS works through a PCP chosen from among the plan's network of doctors. Specialist referrals go through your PCP. You may visit an out-of-network provider but expect a reduction in coverage and a plan deductible.
Fee-for-service or indemnity coverage	Once the norm, this type of coverage affords you complete autonomy when it comes to choosing doctors, hospitals and other health care providers. You can refer yourself to any specialist without getting permission.
Group	Similar to individual plans but with fewer individual application requirements. Some policy protections are not available to individual plan owners. Group plans often have a waiting period and employment requirements. Having group health insurance does not guarantee coverage.

