

# commercial coverage



2009, No. I

## Wisconsin Floods Highlight Need For Business Insurance

Wisconsin's 2008 floods bring home the importance of small business owners having adequate insurance coverage.

According to insurance industry experts, many small businesses are underinsured, either in dollar terms or in the kinds of policies they've taken out. Sometimes there is a reason for this ignorance—an owner may not realize that a policy doesn't cover certain hazards. But in this difficult economic climate, owners also may have decided to forgo the cost because of cash flow problems.

An owner needs to weigh the risk of a disaster striking the company against the cost of coverage or the cost of having to rebuild the business if it is underinsured.

Some communities that flooded last summer when the Mississippi River spilled over its banks were considered remote enough from the river to be safe, according to Mike Barry of the Insurance Information Institute. The odds are that some business owners never took out flood insurance—which must be purchased separately from standard property coverage—because they never imagined they'd be washed out.

### Avoiding Disaster Insurance Can Be Costly

Owners also need to be sure they're insured against specific kinds of disasters. Flood insurance has gotten a lot of notice since Hurricane Katrina three years ago, but many businesses still don't buy the extra protection.

Flood insurance is something many people never expect to need. But the fact is, if a small stream near your business swells up after an unusually long period of rain and water

pours in through the windows or door, your damage won't be covered without it.

Too often owners regard insuring against a disaster as money going out with a very indefinite return on investment.

It's seen as an unnecessary expense by some. A big mistake owners can make is to take out a policy that covers property damage from forces such as wind, rain, hail and fire, and assume that's

all they need. They'd be better off with a business owner's policy, which includes property coverage and—perhaps even more important in the event of a disaster—business interruption insurance. It costs more than a standard property policy, but business interruption insurance can save a company from going under.

Flood insurance is available through the government's National Flood Insurance Program. Ask your independent agent for assistance with purchasing flood and business owner's insurance.



## Should You Buy Rental Car Insurance???



Properly insuring a rental car can be confusing, frustrating and downright daunting. Unfortunately, many company employees do not even think about car rental insurance until they get to the counter, which can result in costly mistakes, according to the Insurance Information Institute (I.I.I.).

“Whether or not to buy rental car insurance or any other insurance product should not be a snap decision,” said Jeanne M. Salvatore from the I.I.I. “Faced with a number of choices, some renters either purchase all of the coverage or they decline the insurance without knowing if they are covered by other policies. This can result in either wasting money by purchasing unnecessary coverage or having gaps in coverage, making the driver dangerously underinsured.”

Many car rental companies now impose various fees after an accident that you may not be aware of and will be held responsible for. These fees can include: towing, storage, impound fees, loss of use, diminished value and administrative services. “Administrative and diminished value fees vary widely, costing anywhere from several hundred to several thousands of dollars if you are involved in an auto accident,” said Salvatore.

## What This Symbol Means To You ...



There is a difference in where you buy your insurance. Many don't realize there are three sources for insurance:

1. Captive Agents—who can sell you the insurance of only one company.
2. Telephone & Internet Representatives—who can offer you the insurance of one company only on the telephone or via computer.
3. Independent Insurance Agents, like us—who represent many insurance companies. We research these firms to find you the best combination of price, coverage and service for all your insurance needs.

## Life Insurance For Key Employees

### Who Is A Key Employee?

A key employee is someone whose knowledge and skills contribute significantly to your business income. Losing a key employee would most likely cause substantial negative financial consequences for your business. According to a survey of small businesses by the National Association of Insurance Commissioners, 71 percent of the firms surveyed said they were



very dependent on one or two key people for their success. However, only 22 percent of respondents had key person life insurance in place.

### What Is Key Employee Insurance?

Life or disability income insurance can compensate your business when certain key employees die or become disabled. These coverages cushion some of the adverse financial impact that results from losing a key employee's participation.

### How Much Life Insurance Is Advisable?

There is no set formula for putting a dollar value on the financial impact of a key employee's death. Nevertheless, you need to come up with a figure as a guide to how much insurance coverage to buy. Some life insurance companies provide formulas for this which may or may not have a realistic relationship to the employee's worth to your business. In some cases, a look at the employee's responsibilities can facilitate valuation. If, for example, the employee is responsible for a certain volume of sales, the loss is the profit derived from the person's sales, less the profit that could be expected from a replacement. Also to be included is the expected cost of replacing the employee, including employment agency fees and moving expenses and possibly a higher salary for the replacement.

### Who Owns The Life Insurance Policy?

Usually, your organization owns the policy, pays the premium and is the beneficiary. Alternatively, your business and a key employee may agree to split the premium payments, cash surrender and death benefit value. The employee must agree to the company's purchase of this insurance. The insurer may also require a resolution from your board of directors stating the policy's purpose.

### What Kind Of Life Insurance Should I Buy?

Businesses usually use term insurance when the only purpose is to compensate for losses caused by the key employee's death. Policies that accumulate cash value are appropriate in some circumstances. Discuss which is better for your business with your insurance agent.