

Business Insurance: Important Factors to Consider

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A periodic review of your business' current insurance coverage is a necessity in order to remain fully protected as circumstances change. This article will evaluate potential risk areas that a general manufacturing company should be aware of and various types of insurance to consider. It is key to choose an agent who understands your company's unique needs and who will assist you in asking the right questions and identifying all possible risk areas. There can often be a fine line between finding the adequate amount of insurance. While being over-insured will cost your company undue expenses, you certainly don't want to find yourself in an unfortunate situation which you don't have sufficient coverage for.



Assets to Consider During Risk Identification

When renewing current business coverage or obtaining new coverage there are many assets and risk areas to be aware of. You will want to consider all of the assets of your company and how much it would cost to replace them. For example, all capitalized assets should be covered. These can include, but are not limited to, buildings, machinery, office equipment, software, vehicles, and leasehold improvements. Even small property assets should be considered in your valuation such as telephones, calculators, computers, and small office furniture. Be sure that your business is adequately insured for any and all inventory kept on hand along with any leased property in its possession.

Types of Insurance to Consider

Business Owner's insurance covers a broad spectrum of damage to the company's property. This damage may result from flood, fire, theft or other disasters and the coverage and exclusions should be spelled out in your individual plan. Some policies will be considered an "all-risk" policy in which everything except for a few cited exclusions are covered. This type of coverage can be preferable in many cases because it limits the chances of something not be covered and also limits the prospect for having overlapping coverage on the same assets.

While property insurance will cover and reimburse you for the repair or replacement to buildings or equipment, it will not cover the loss of income or continued expenses during the downtime. Downtime insurance can be obtained to cover the loss of income incurred from the loss of property. It will cover such expenses as salaries, loan payments, etc. This particular type of insurance will reimburse a company for the difference between its normal income and the income actually received during a joint shutdown.

If not covered under your general Business Insurance Plan, product liability insurance may be obtained at an additional cost. If you sell a product that has the possibility to injure a potential user, whether or not you designed or manufactured the product, you may need additional coverage for the legal liability that could arise.

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Commercial insurance is very similar to business owner insurance except that it relates mainly to non-service industry businesses that are larger and more complex than just a single-owner or partnerships. Commercial policies are typically more expensive than business owner policies because the risks are higher and potentially more costly to the underwriter.

Worker Compensation Insurance is very large area of business coverage for many manufacturing companies. Policy premiums will be based off of the number of individuals that your company employs and the risk of employee injury while on the job. There are often times “experience factors” that will be considered for going periods of time without a worker’s comp claim. Often time it may be beneficial for employers to offer incentives to their employees for achieving pre-set period of time without claim.

Another up and coming area of business insurance is to cover against cyber liability. If your business computers store confidential client information such as credit card numbers, credit scores, social security numbers, etc. we would recommend looking into an insurance plan that cover’s your company’s cyber liability.

With all types of insurance, it is important to keep in mind that the dollar amount of coverage for any type of damage or loss should be consistent with replacement value of property rather than book value, which is most often measured at historical cost. It is more difficult to calculate the coverage needed for liability insurance but working with an accounting professional or insurance specialist can help analyze the situation to avoid finding yourself in a position of under- or over-insurance.