

“Ask SCORE” Column

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Insurance Basics by Tina Dettman-Bielefeldt

Insurance costs and needs tend to be one of the most misunderstood areas in SCORE counseling sessions. For new entrepreneurs, there is often the impression that business insurance is covered under a homeowner's policy. Few anticipate the coverage that is needed to prevent unnecessary risk.

Jeffrey Bergum, CISR, professional insurance agent and SCORE counselor, teaches the basics at SCORE seminars and explains the need for adequate coverage. He says, “If you don't insure your business, you could face various lawsuits depending on the claim situation. Whether a client has a slip and fall at your place of business, your product or services causes bodily injury to someone, or perhaps you wrongfully convict or slander someone, you could be liable for damages.”

For those with small businesses, the risk is still there. Bergum says that even if you have a home business, a homeowner's policy generally gives only very limited liability and property coverage. Also, the policy will likely have limits on coverage if your business exceeds a certain amount in sales.

The best protection is a Business Owner's Policy. “This policy is like buying a value meal rather than buying each item ala carte,” Bergum noted. The policy coverage will vary depending on the type of business, and an agent needs to know as much as he can about the business so that non-covered liabilities can be added.

This could include something like Liquor Liability, coverage that protects organizations whose business involves the manufacturing, distributing, or serving of liquor. Most standard policies exclude coverage for such activities. There are numerous other areas of exposure that should be considered including automotive, real estate, personal property, theft, and product liability.

Bergum said the one coverage that many businesses don't buy but need is Umbrella Coverage. He explained, “Because insurance liability policies have a maximum limit of insurance you can purchase, the umbrella adds additional layers of liability to go over the top of their general liability, commercial auto, and workers compensation policy.” A professional insurance agent should ask the appropriate questions to determine risks

versus liabilities.

When talking insurance basics, the information can seem overwhelming. Bergum considers it to be an agent's job to spend the necessary time with every business to explain and recommend the correct policies and endorsements. He also advises clients that the best way to be protected is to have procedures in place that minimize risk.

This includes an employee handbook, quality procedure manual and associated materials, and safety standards. The agent should review these materials and make recommendations.

"I once had a client who was having continual slip and fall work comp claims with his employees and we determined that it was the surface of the employees' shoes that were causing the claims. We went to a new type of sole and from that time forward the insured had no further slip and fall claims," Bergum noted.

If you'd like to learn more, contact the Green Bay Chapter of SCORE. Visit www.greenbayscore.org or call Cindy Gokey at 920-496-8930 for information.

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