



**Kansas Insurance Department
Sandy Praeger, Commissioner**

▶ **Meeting Your Business
Insurance Needs**

Insuring Your Business: Property & Liability Coverage

To determine your business insurance needs, you should begin with an analysis of your property and your risks. Your property is the building and equipment you own. Your risks are the financial responsibilities you have for the people and property within your business.

Even if the law does not require your business to carry insurance, you may want to purchase coverage to protect you, your property and your assets. You may be able to purchase a package policy that includes several types of insurance. For instance, property, liability and automobile coverage could make up a package policy. Usually, the premium for a package policy costs less than the total cost of premiums for the individual coverage.

Property Insurance

Property insurance may be one of the most important types of insurance in terms of financially protecting the property and physical assets of your business. There are three basic types of property coverage. You will want to discuss these coverages carefully with your agent to make sure you understand the differences.

Basic Form: Includes losses for such things as fire, lightning, windstorm, hail, and explosion. The exact covered losses are specifically listed in the policy. Under a basic policy you are insuring for only specific losses.

Broad Form: Includes basic form coverage plus coverage for losses caused by such things as collapse of roof due to weight of ice or snow; or damage caused by accidental discharge of water or steam. Covered causes of loss are specifically listed in the conditions of the policy.

▶ There are three basic types of property coverage which can protect your business.

Special Form: Sometimes referred to as all risk because it covers all direct physical losses (everything) except conditions specifically excluded in the conditions of the policy. This policy usually costs more than basic or broad coverage because it covers all losses except those specifically excluded.

▶ **Replacement Cost or Actual Value**

With property insurance, you can buy either replacement cost or actual value insurance.

- **Replacement cost insurance** pays the cost of damaged property and goods without deduction for depreciation. Replacement cost insurance is more expensive.
- **Actual value insurance** pays the cost of damaged property and goods after deducting for their depreciation.

▶ **Liability Coverage**

Liability Insurance is valuable coverage because it protects your business from financial loss because of injuries, deaths, or property damage caused by your products, business operations, or employees.

▶ Liability insurance protects your business from financial loss.

The only required liability coverage in Kansas is Workers' Compensation Coverage which protects you from the threat of lawsuits by employees who have received job-related injury or illness. For more information about this coverage, refer to the separate handout in this packet.

There are two common types of liability insurance.

- **Premises/operations coverage** pays injury claims if someone slips and falls on your property and you are legally responsible.
- **Products/completed operations coverage** helps pay for monetary losses which result from injury or damage caused by a product or completed work.

▶ If your business owns vehicles, you must obtain **commercial automobile coverage**. If your business leases vehicles, the lease agreement may require you to purchase liability coverage.

Liability coverage under a commercial motor vehicle policy is compulsory. This includes bodily injury, property damage, personal injury protection and uninsured motorist coverage. The minimum liability limits that you have to purchase vary depending on whether your operations are regulated by a governmental agency. Check with your agent to determine the liability limits you should purchase. Physical damage coverage is optional unless the vehicle is leased or financed. The leasing company or lender will require physical damage coverage for any leased or financed vehicle.

▶ Other Insurances

Here are some brief descriptions of the many types of insurance available to you as a business owner. Ask your insurance agent to help you choose the type of coverage you need.

Discuss your business operation with your agent.

Your agent will help you determine which insurance is best for your business.

- **Bonds** guarantee that you will perform a specific action. For example, a builder may buy a bond to ease the mind of a client. If the builder fails to perform as agreed, the client can get a settlement.
- **Boiler and Machinery** insurance pays for loss or damage to your property as a result of a sudden and accidental breakdown of equipment.
- **Business Income or Interruption** insurance pays lost earnings if you must close your business due to an insured property loss.
- **Cargo and Transportation** insurance covers goods or products your company transports.
- **Errors and Omissions** insurance protects professionals from losses caused by their errors or oversights.
- **Fidelity** insurance covers business clients or owners for losses due to dishonest acts by owners or employees.
- **Flood** insurance covers losses to buildings and their contents due to flooding caused by rising water. (Contact the National Flood Insurance Program for Kansas at 913-780-4238)
- **Professional Liability** insurance pays liability claims arising from wrongful practice by physicians, attorneys or other professionals.



Home Businesses

If you run a home-based business, one of the most important things you should do is let your insurance agent know you are working from your home. Be sure you clearly describe your business operation so that your agent can help you determine the right kind of coverage to properly protect not only your home but your business property.

Most homeowners' policies do not provide coverage for property used in a business.

Most of the information in this brochure still applies to you. Just because you operate out of your home does not mean you don't need business insurance. Most homeowners' and renters' policies specifically EXCLUDE coverage for property used in a business.

If your home-based business involves products, inventory or walk-in customers, you may need an attachment to your homeowners' policy or even a business insurance policy. A business policy will insure you separately with property and liability coverage as though you were renting space.

Insuring for Success

Evaluate Your Needs— a good agent can help you determine the most appropriate insurance package to cover your needs. Make sure you compare your options.

Check Agents and Companies — make sure the Kansas Insurance Department licenses both the agent and the company with whom you are dealing.

Know What is Excluded — make sure you know what is and is not covered by the policy you are considering.

Consider a Higher Deductible — You can reduce your premium payments by raising the deductible. Make sure your deductible is high enough to reduce the premiums, but not so high that you can't pay the deductible.

Don't Underinsure — An inexpensive policy may not provide enough protection.

The Kansas Insurance Department knows about insurance.

We can:

- ◆ provide answers to your questions.
- ◆ help you identify what coverage is required.
- ◆ assist if you have a claims problem.

Contact the Small Business Representative in our Consumer Assistance Division for help with your insurance questions.

1-800-432-2484

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