The information presented is designed for the general understanding of insurance principles and practices. Individual insurance needs and requirements will vary based on the individual business operations and services.
Stuff Happens
**WHAT ROLE DOES INSURANCE PLAY IN MY WORLD?**

<table>
<thead>
<tr>
<th>Protects your assets and future earnings</th>
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</thead>
<tbody>
<tr>
<td>Provides a safety net</td>
</tr>
<tr>
<td>Allows you to do business with others</td>
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<tr>
<td>Creates a secure work environment</td>
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</table>
Think of your insurance coverages as buckets

Each bucket will carry a maximum amount of money for specific situations
Commercial General Liability

Provides coverage for your legal liability resulting from either bodily injury and property damage

Common coverage is $1,000,000 per occurrence and $2,000,000 aggregate

Can be combined with other insurance on the same policy

Does NOT cover fault arising out of the performance of your professional services
Gives the company an extra amount of liability insurance on top of the general liability on the original policy.

The minimum amount starts at $1,000,000 in coverage.

This will also cover at fault auto accidents if the company has commercial auto.

Some contracts will require extra liability coverage.
Coverage for autos owned by the company

Covers anyone driving, if they have permission of the company

Autos may be taken home, but the insurance company should know that and will ask

You will have to create a list of drivers including their driver’s license numbers and birthdates
DIFFERENT TYPES OF LIABILITY AUTO COVERAGE

**SPLIT LIMITS**

100/300/100

First bucket is for 1 person in the other vehicle

Second number is the bucket for more than 1 person in the other vehicle

Third number is the bucket for property damage

**COMBINED SINGLE LIMITS**

$500,000 CSL

This is one bucket with a maximum amount for all damages caused by you
HIRED AND NON-OWNED AUTO

Covers use of other vehicles, including employees running errands

If an at fault accident happens, the company will most likely get sued

The policy will cover any judgements in this case after the employee's coverage is exhausted.

This coverage is usually very reasonable and should be added to most policies.
Required by the state for businesses with 3 or more employees, owners count as employees

Rates are determined by duties performed and the payroll amounts for those jobs.

How dangerous is this position? That will give you an idea of premiums

Owners can be excluded from coverage to lower cost of policy
Simply, a BOP is a preset comprehensive policy with a wide range of coverages. It is pre-packaged and can be very economical.

These are highly recommended if available
This is just adding different coverage modules to the General Liability policy when a BOP is not available. It could include a section for property, a section for commercial auto, and employment practices liability. It is a flexible approach to insurance coverage.
CERTIFICATE OF LIABILITY

Ask the entity you will be doing business with to be an additional insured on their policy

This will show you are covered under their policy

Expect to issue these certificates showing you have the proper liability coverage in place to others

Your agent can provide these to the organizations you choose
# Certificate of Liability Insurance

**Issuer:**

**Policy Number:**

**Coverage:**

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Description</th>
<th>Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Liability</td>
<td></td>
<td></td>
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<tr>
<td>Property Damage</td>
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</tr>
<tr>
<td>Bodily Injury</td>
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**Certificate Holder:**

**Cancellation:**

The certificate holder is responsible for any policies that are cancelled before the expiration date. Notice will be delivered in accordance with the policy provisions.

**Issuer:**

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Protects you and your firm from claims arising out of negligent acts, errors or omissions in the performance of your professional services.

Very common for this type of coverage to be required to enter a contract.

Can be smart to apply for this coverage at the start of the company. This will create a retro date where past projects are covered even after renewal.
What was the applicable standard of care?

Was it met?

The application of the standard of care is variable and depends on the specific circumstances of a project. Codes, regulations, licensing laws and national standards form a framework, as does the work of one’s colleagues, both locally and on a national level.
WHAT WILL YOUR CONTRACT ASK FOR?

- Make sure your clients have realistic expectations of your services.
- If your client hands you a contract clause that purports to raise the standard of care to a higher level, delete the offending words and revise the standard to an “ordinary” or “normal” or “reasonable” level.
- Consider the following clause:

  In providing services under this Agreement, the Consultant shall perform in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing under similar circumstances at the same time and in the same or similar capacity.
To get a group plan for your business you need at least 2 employees including the owner to be eligible.

In NM, the cost of small business health insurance plans will vary based on several factors like age, gender, number of dependents and a few others, depending on the provider.

NM companies with over 50 or more full time employees must offer health insurance coverage.
DO YOU HAVE A WILL?
Make sure you and your partner(s) have a will or trust in place to take care of your families. This can be done when setting up your LLC or corporation.

Life insurance is a regularly used tool to help the business survive in case of unexpected death.

Before you make any decisions about using life insurance for a business succession plan, be sure to discuss it with your financial advisor, attorney and tax professional.
Protecting the business from the loss of a key employee or top performer

Are you concerned about losing a high-producing employee and the significant impact that loss could have on your business? Having an insurance policy on that person, known as key person insurance, could help the business recover financially and speed up hiring a replacement. A term or permanent insurance policy can be used in this situation.
Ensuring a successful transition due to a death of a partner

An insurance policy with a buy/sell agreement can provide liquidity for you to buy out a deceased partner's share of the business — helping reduce business interruption. This strategy can help provide more certainty on the "when" and "how" of ownership transition. A term or permanent insurance policy could be used in this situation.
What you do, is different than what anyone else is doing!
An independent agency may be more likely to help because they have a variety of companies to work with.

Make sure the agent understands what you are doing. Be ready to explain exactly what your business entails.

If you can’t find coverage, ask colleagues how they purchased their insurance.
Make sure to keep up with your coverages

When you make changes in the business, you want to make sure the policy is still as effective as it was when you started it

Most commercial policies will be audited at the end of the term

If revenues or payroll changes during the term, this may cause a “true up” which is added premium that must be paid in one payment.
Michael Chesley
Cress Insurance Group
Albuquerque, New Mexico

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