

# Are You Overdue for an Insurance Checkup?

*Don't let the company's needs outgrow its coverage*

By Joel Berg

LIKE A GOOD SUIT, insurance policies should be tailored to fit the contours of the covered business. Unfortunately, while it may be painfully obvious when a favorite pair of pants has become too small, businesses might not notice they've outgrown their coverage until something pops.

That's why experts advise business owners to review their insurance coverage at least once a year, if not more often.

"Keeping coverage up to date is something that has to be thought about seriously as a business grows," says Tom McNabola, managing director of Hunter Group, an accounting firm in Fair Lawn. "If you don't pay attention, you could find yourself underinsured very easily."

Generally, if a company has been adding people, buying equipment or expanding in other ways, it should make sure its insurance coverage is keeping pace, McNabola says.

Another way that businesses might wind up short is if their market is seasonal and they neglect to account for the busiest times of the year, sort of like when people have to loosen their belts after a Thanksgiving meal. "That's probably the trickiest area because your inventory can fluctuate seasonally and it can also fluctuate as you grow," McNabola says.

On the other hand, companies that have sold property or have been shrinking might find themselves paying for insurance they no longer need, he adds, though insufficient coverage is a lot more common problem.

The price of being underinsured becomes clear when a business has to file a claim. For example, if fire destroys \$150,000 in inventory but the business was only covered for \$100,000, the insurance carrier may invoke what is known as coinsurance, McNabola says. This common provision requires the business to be insured for a specific percentage—usually 70% to 100%—of the property's full value. The typical minimum is 80%, he says.

Under coinsurance, the underinsured business would be penalized for carrying inadequate coverage by only being able to collect between 70% and 90% of the \$100,000 it had been paying for, depending on the contract, rather than the full amount of damages.

Insurance clauses also can change from year to year, McNabola says. After the Sept. 11 terrorist attack, many insurers removed damage from terrorism from the list of what they would cover under property claims. Companies concerned about future attacks can buy separate terrorism insurance, McNabola says. The same is true for those worried about damage from floods, he adds.

The wrong kind of insurance, meanwhile, can also leave a business holding the bag, says Peter Arcuri Jr., an Edgewater-based insurance agent and commercial specialist for Allstate New Jersey.

For instance, independent plumbing contractors might have personal auto insurance policies for their work trucks, Arcuri says. However, the policies might not include so-called loading and unloading coverage that would insure against someone tripping over a ladder the plumber had taken off the truck and set on the ground.

A loading and unloading policy is especially important for businesses that don't carry general liability insurance, Arcuri says. He also recommends general liability for all his clients, in addition to commercial auto and workers' compensation policies. He says, however, that liability coverage may be too expensive for some small businesses.

"You want to get people the right coverage. But, there are budgetary concerns that have to be addressed," Arcuri says.

Other policies that a business might want to consider include key-person insurance and policies that cover business succession in case one partner dies unexpectedly. Key-person insurance is essentially a life insurance policy for crucial people who contribute a great deal to a business's bottom line, Arcuri says. The policy should pay out enough to hire and train a replacement.

"In some cases, it can be very, very expensive to bring an employee up to the level of that key person," he says.

Policies also could cover the sudden death of a business partner, Arcuri suggests. The right plan would allow remaining partners to buy out the late partner's share from the surviving spouse if he or she has no interest in helping to run the business.

Experts also say disability insurance is a worthwhile investment. While small-business owners frequently have life insurance to protect their families against lost income if they die, not as many think about what would happen if they became disabled and were unable to continue working. Disability insurance would provide coverage in those cases.

**Businesses that own older buildings might want to look into so-called ordinance and law coverage, says William J. Abbott, of Abbott Insurance Agency in Lyndhurst. The policy covers any legal changes that could affect reconstruction costs for an old building, such as mandates for disability access or better wiring, Abbott says. A regular policy might not cover those costs, making it more expensive to rebuild after a fire or other disaster.**

**Businesses also should consider policies that protect them in cases where employees have car accidents while**

There are a lot of different types of coverage available for businesses seeking to hedge their risk. The challenge, says Abbott, is for busy owners to take the time to figure them out and make sure they're comparing policies on an apples-to-apples basis. "That's the only way to shop it," he says.



Robin Zieinski

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running company errands in their own vehicles, Abbott says.

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## You May Be Due Now

When to get an insurance checkup:

- After adding employees
- After investing in new equipment
- After other types of expansion
- After downsizing staff or facilities
- At least annually

What to look for:

- Is your coverage adequate to cover potential losses?
- Is your coverage sufficient to cover seasonal expansions in workers or inventory?
- Do you have the right types of coverage?

## NEW JERSEY'S TOP

## Insurance Brokerages

Ranked by number of New Jersey producers

♦ By Varsha Gupta

RANK 2006	FIRM YEAR ESTABLISHED	ADDRESS PHONE   FAX   WEBSITE	SENIOR EXECUTIVE(S)	PARTIAL LIST OF SPECIALTIES	LICENSED N.J. PRODUCERS
44	Acure Insurance Agency 2004	75 Ashbury Avenue Atlantic Highlands 07716 (732) 291-0271   (732) 291-0466	Roy Delloso	Life, health, property, casualty	7
45	Abbott Insurance Agency 1959	705 Ridge Road Lyndhurst 07071 (201) 933-3333   (201) 933-0331   <a href="http://www.abbottinsuranceagency.com">www.abbottinsuranceagency.com</a>	William J. Abbott	Property, casualty, life, title	6
45	Smith Benefit Services/ DFS&A Insurance Agency 1997	80 West Upper Ferry Road Ewing 08628 (609) 771-8900   (609) 771-8901	Ron Keefe	Employee benefits, special risk	6