

Insuring Your Future: A Look At Commercial Insurance Policies

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Let's be honest. When was the last time you really studied your current commercial insurance policy? Most of the time, it's more convenient to simply rely on your agent to confirm that "you're covered". But having an insurance policy and being "covered" are sometimes mutually exclusive terms. Insurance is one of those commodities in life where you get what you pay for, and sometimes, a little less than you paid for. But like death and taxes, it's not something that we can live without in our society, so if you're going to buy it, it's best to confirm that it's truly there when you need it.

Insurance has, and continues to be, a completely baffling affair. Interpreting the scope and terms of the policy can border on rocket science. If you're an operator or entertainment facility owner, you probably maintain general liability coverage for injuries on premises, physical damage, and other common maladies. You may or may not also maintain insurance riders for commercial automobile, commercial inland marine, commercial crime, commercial business owners, and commercial umbrella products. Not sure if you've got it all? Let's go through each one:

Commercial Automobile Coverage

If your business maintains vehicles for travel, they'll need to be covered with at least a commercial liability policy. Should you or any designated operator be involved in an accident with a company vehicle, you'll need the support of a reputable insurer, even if the accident was not your fault. Consider this: your company van is involved in an accident with a tour bus, causing injury to 5 individuals on the bus. As a result of medical expenses, pain and suffering, loss of ability to work, loss of cohabitation rights, and a host of other repercussions, you might be facing a \$1 million lawsuit - from EACH injured passenger!

It's fairly common to see commercial automobile policies with \$1,000,000 combined single limit coverage as well as coverage for fire, theft, and vehicle contents. This coverage serves as the "baseline", from which a commercial umbrella policy then augments and expands upon. If there are multiple drivers in your company, it's a wise choice to have each screened randomly for alcohol and substance abuse, as impaired drivers are probably ten times more likely to get into an accident. One misguided employee can wreak havoc on the future of your business, particularly in an automobile, so it's imperative to insure against this very real risk.

Most policies provide for legal representation to be paid by the insurer, although you may also choose to hire independent legal counsel to protect your rights. Such insurance company representation can be important, as the cost of litigation can be staggering, especially when the legal process spans over a period of years. I've personally observed automobile cases where the cost of legal services actually exceeded the damage award. Always double check to confirm that representation by the insurer has been made a integral part of the policy.

Commercial Inland Marine Coverage

If you're transporting games or attractions, Inland Marine insurance is critical. This type of insurance covers the damage or loss of your transported assets, whether via your company truck or that of a common carrier. Be forewarned: unless specific insurance policies have been arranged, commercial shippers will limit any loss to your goods to \$0.50 per pound. That's right, fifty cents per pound. If your 400 pound Lost Word Deluxe is damaged or destroyed in shipping, the shipper is liable for only \$200! To safeguard against such events, Inland Marine coverage will protect such assets, less a selected deductible.

How much Inland Marine insurance do you require? Well, this depends upon the average value of your assets and the size of the vehicles that move them. For instance, a 48 foot tractor trailer may be sufficient to hold 35 games, which at an average cost of \$4,000, creates a payload of roughly \$140,000. A 26 foot straight job may be capable of holding 18 games for a payload of \$72,000. There's little harm in over-insuring, as the premiums for Inland Marine insurance are generally minimal in comparison to the other segments of the insurance package. Plan for the unexpected, and in turn if such an event does occur, at least your loss will be contained to a predetermined deductible and temporary loss of use (which may be covered as well).

Commercial Crime Coverage

At some point in time, every business must wrestle with the issue of theft, be it on premises or off. Theft takes on many appearances, from loss of goods and currency to removal of sensitive documents, formulas, and other intellectual property. To make matters worse, sometimes these come from within, such as a newly-hired employee that has experience moving "hot" merchandise. "Mysterious Disappearance" is the insurance industry's phrase for dealing with incidents whereby a business loss has occurred without a defined or apparent source.

There are several types of coverage available, many of which can be tailored to fit your specific operating style. If you operate a route of accounts, are your collectors handling cash or transporting it to the bank? There's been many stories of hold-ups in which an employee, who has just finished a collection at a location, is "relieved" of the proceeds by armed thugs. If not insured for off-premises losses, you might find that your business just lost \$5,000 in a single afternoon. What about your bookkeeper? If company checks were forged by this individual over a period of time without detection, your business could have lost \$250,000 or more. Insurance may be your only method of restitution, as in most cases the pilfered funds have been spent and therefore long gone. Prosecution of the individual may provide some moral value but will probably offer little in the way of compensation. This form of theft is referred to as "Employee Dishonesty" and can be added as a specific endorsement to a commercial insurance policy.

Business Owners Coverage

Business Owners Coverage has been getting a great deal of attention in recent years as the relationship between employers, employees, and clients has become one of "fault finding". It's not unusual to hear tales of pending legal cases relating to sexual harassment claims or employer oversights. Unfortunately, these issues are real and can have devastating consequences. Consider this scenario: A full-time employee is hired at your company, with the understanding that after a 60-day trial period, the individual is eligible for benefits, the same benefits offered to other full time employees. Sixty days comes and goes. The employee receives no paperwork or notification from the company, but on day 120 this employee is diagnosed with cancer. As this individual was not enrolled in the company's medical plan under the criteria established in the medical contract, the health insurer denies coverage. In turn, the employee sues the employer for failure to provide coverage. Guess what? The employer is probably going to lose and be left with a staggering legal settlement. Of course, if the employer maintained coverage for "Employment-Related Practices", such acts of omission would fall under this coverage area. Other events that can trigger claims against employer-related practices include acts of coercion between employees, wrongful termination, demotion, reassignment, defamation, harassment, humiliation, discrimination, and well, you get the idea.

The exposure with respect to employer-related acts and omissions is quite high. Fortunately, in comparing commercial insurance rates, this type of coverage is fairly insignificant from a cost standpoint and therefore considered an essential tool in operating any business.

Commercial Umbrella Coverage

An umbrella policy serves much like a blanket insurance policy, in that it takes over where standard limits of insurance leave off. Let's say that your commercial automobile policy has a combined single limit of \$1,000,000. and out of circumstance an event has occurred that results in a liability to your company totaling \$1,500,000. Since your auto policy caps out at \$1,000,000, the balance of liability falls directly on your shoulders. What now? If you maintain an umbrella policy, with perhaps a \$2,000,000 limit, the balance of liability will fall under the scope of this extra insurance. Whether the insurer will pay it becomes a function of the coverage selected, so be sure to confirm exactly what the umbrella policies identifies as a covered event.

Umbrella policies are generally "catch all" insurance products that help to close the gaps that may exist in the baseline insurance policies selected. As a general rule, umbrella coverage will only be offered by an insurer if the baseline coverage is considered sufficient for the scope of the insured's business.

What To Do

If you feel that it's time to re-evaluate your company's insurance program, it might be worthwhile to sit down with your current agent as well as one other provider to review coverage selections and limits. In the past, I've found many agents to be pro-active in providing essential coverage within the baseline policy package, therefore much of what has been discussed here may already be part of your insurance program. Nonetheless, better to be safe than sorry. As I'm not an insurance industry professional, I'm sure that there are many other safeguards available for your specific business, each of which are best determined by a qualified expert. Besides, won't it feel better to sleep at night knowing that you've done your part to mitigate the perils and risks that commonly affect today's entertainment operators? Building a business is tough enough without the curve balls that invariably get thrown our way. With a bit of planning, though, at least we won't go

down swinging.