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NORTHJERSEY.COM : NEWS

Ask The Experts

SUNDAY, JUNE 30, 2013
THE RECORD

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Q. After witnessing sudden upheavals in the weather and the economy, I was wondering if there are other types of business insurance I may not have thought of?

Managing any business is always a cost/benefit decision. Insurance is one of those decisions — paying for something you hope you never have to use. Unfortunately, after Superstorm Sandy too many businesses learned the hard reality of not having the right insurance coverage.

While most insurance is sold by fear (life and disability) or mandated by law (workers' compensation and automobile coverage, and soon to be, health care), businesses have other needs to consider.

The actual business function dictates insurances needs (medical malpractice, professional errors and omissions, product liability), but most enterprises should have a general business owners' liability policy to cover office contents and basic slip-and-fall issues, which may also offer some protection against financial loss from property damage, business interruption and inventory spoilage.

The business owner should have a thorough understanding of what is actually covered in each policy. For example, does it cover the cost to rewire the computer network damaged when a water leak from the tenant upstairs runs along the cabling between the floors?

Other lesser-known types of insurance coverage include employer practices that protect and, perhaps most importantly, defend the company against an employee's claim of workplace harassment, improper termination or even failure to hire. Such a policy might also protect the company from claims of inappropriate behavior by an employee toward a customer.

Cyber/privacy insurance protects against an internal or external theft of personal information leading to identity theft or an attack on an e-commerce website. Personal information improperly obtained could be that of an employee or customer/patient. Although a breach of a database may not necessarily lead to identity theft, the cost to notify each person affected could be quite high. In addition to the threat of stolen intellectual property and the potential for lost business, the cost to rebuild a network or website after a deliberate virus attack should be seriously considered for coverage needs.

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A wide range of industry-specific policies are available for restaurants, contractors, apartment building developers and managers, social clubs, flea markets, golf courses, parking garages, film production and more.

There are even insurance policies for special events and activities, such as company picnics or customer appreciation events where alcohol might be served, or a charitable bike ride or concert promotion.

You should also consider whether there is a need to insure the property of others, such as a warehouse storage facility or jewelry store holding stones on consignment or repairing watches, or a need to insure goods in-transit when it is not a normal function of the business. Businesses that have significant accounts receivables can also obtain credit insurance to protect against their customers' failure to pay.

As mentioned above, the biggest benefit of most policies is the defense against claims. The potentially huge legal costs may even be covered outside the policy deductibles or coverage limits.

Insurance companies can provide coverage for almost any risk, for a price. Be sure to consult a professional agent/broker.

Steven Bortnick, CPA, is a partner at Bederson & Co. LLP. Do you have a business question for a CPA? Send it to BusinessNews@northjersey.com.

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