
INSURANCE BUREAU OF CANADA

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Small business insurance *and you!*

INTRODUCTION

Risk management is an essential part of every business. Large companies can often afford the services of a full-time risk manager whose job, in part, includes looking after the firm's insurance needs. In a small company, unfortunately, risk management may be yet another chore to cram into a busy working day that never seems to have enough hours. The need for business insurance, however, is just as important for a small company as it is for a large one... perhaps even more important as smaller businesses may have fewer resources to fall back on.

Of course, as the owner or operator of small business you will know instinctively that a program to manage risk is essential for your business to survive and prosper in today's competitive economy. The trick is to find the time to do something about it.

GETTING STARTED

A worthwhile first step is to shop for a commercial insurance agent or broker who knows your type of business or is willing to invest the time and effort to study it with you. You are familiar with the operation of your company, and your agent or broker should be familiar with cost-effective ways of handling risks. A good insurance agent or broker is a valuable asset for your company.

When planning your insurance coverage, an important first step is to identify those potential losses that could cripple your business, and insure against them. Don't worry much about items which pose little threat. But then be sure to consider carefully everything in between the two extremes; that's the difficult part, and it requires much creativity and perseverance.

CONSIDER YOUR RISKS

Some risk exposures are obvious. Others, which could be just as serious, can lurk undetected in the background. Your insurance company can inspect your premises, assess your operations, and recommend options for safeguarding employees, buildings and goods. In many cases, commercial insurers will provide essential engineering and safety services; and the fee for these services is often included in the premium. Both you and your insurer have a vested interest in minimizing the frequency and severity of losses.

If your place of business is rented or leased, you may be responsible to your landlord in the event of fire, explosion, vandalism, water leaks and other perils. And if you own your business premises, you will need insurance to protect your interests, as well as those of your mortgage-holders. In calculating the amount and type of insurance coverage you may require, be sure to check for local bylaws that may require damaged premises to be re-built to costlier standards.

There seems to be almost no upper limit to the size of loss that could result in some areas, such as legal liability. High losses could arise, for example, from defective products or services, or even from a fall by a customer on a wet floor. Potential losses in other areas may be a little easier to figure out – the loss that could result from embezzlement, for example, or the loss that you might experience during an extended shutdown because of fire, computer failure, loss of heat or power, and so on. Your broker or agent will provide you with a loss-exposure checklist that will help make sure you haven't forgotten anything.

A LOSS PREVENTION PARTNERSHIP

You can protect your property from loss and reduce insurance costs by taking a few positive steps on your own to discourage burglars, shoplifters, vandals and arsonists. Good inventory control and meticulous bookkeeping may help avoid placing temptation in the way of employees and suppliers. Investment in loss prevention often results in lower insurance premiums. In fact, your insurance savings may pay for this investment in only a few years. Here are just a few loss prevention ideas you may want to consider.

- Install approved sprinklers, intruder alarms and fire alarms.
- Secure all doors, windows and skylights – strongly.
- Secure storage and other low-traffic areas.

- Isolate flammable materials and dispose of waste materials properly.
- Leave some lights on and windows clear so police patrols can view the interior.
- Encourage employees to protect the company by being watchful and careful.
- Back-up your computer files frequently and store copies off premises.
- Register with your local police and fire department so that they know who to call in an emergency.
- Consider hiring a security guard when conditions warrant.

Police and fire fighters – and insurers – do a great job, after the damage has been done. The key to the security of your business is to prevent ever needing their services. And that key rests primarily in your hands.

Do remember, though, that risks change over time. Once you have established a sound insurance plan, identified your firm's loss exposures, and addressed each one, that's only the beginning. New risks will arise and old ones will subside; that's why insurance coverage should be reviewed at least once a year. This gives you a chance to fix past mistakes, assess new types of coverage, adjust your coverage and deductibles to suit new market and regulatory conditions; adjust for change in the type and volume of your business; and shop for competitive quotations.

DEDUCTIBLES

Almost anything is insurable – for a price! But would full coverage in most areas be cost-effective? Probably not. If often pays to assume a part of the loss in connection with even essential coverages; that frees up dollars for other worthwhile coverages or loss prevention investments and activities. It makes little sense to skimp on capital investment that may help your business flourish in order to buy more insurance than you really need.

THE BOTTOM LINE

Adopting a risk management program can save money. A risk management program will ensure that your company's insurance policies are competitively priced and provide coverage appropriate to the risks and their potential to harm your business.