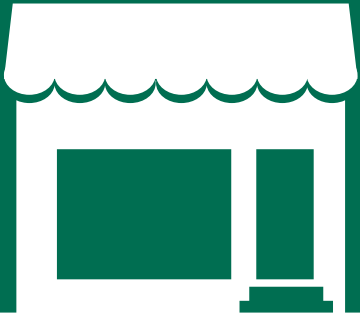


Questions

to ask your
insurance
representative



INSURANCE FOR SMALL AND MEDIUM-SIZED BUSINESSES

No matter how well you plan, operating a business comes with elements of risk and unpredictability. Your business insurance policy should be able to provide some peace of mind, as long as you understand what you have purchased. The following questions may help guide you in discussions with your insurance representative. *Please note, the answers provided here are very general, so ask your representative for specific details related to your policy.*

1. What kind of insurance do I need?

It depends on what kind of business you operate. Many insurance companies offer different policy packages that can be tailored to your particular business.

- Building, stock and equipment coverage will help replace or repair damaged property and contents. This would be very important to a corner store, for instance, where a fire has destroyed the fresh food stock.
- You may need business interruption insurance to compensate you for loss of business while you are shut down following a disaster, fire or burglary, for example.
- Liability insurance is important, should you find yourself paying to compensate a client or customer for damage or injuries related to something your business did or did not do.

- If you offer professional advice to clients, you should have errors and omissions coverage.
- Any business with vehicles on the road requires an automobile insurance policy for the commercial vehicles.
- Crime coverage will protect your business against losses from burglary, robbery and theft.
- A fidelity bond will protect your business from theft by employees.
- Talk to a life and health insurance representative if you wish to offer health, disability or life insurance as a benefit to your employees.

And don't forget about workers' compensation coverage. Depending on the type of business you operate, you may be required by law to participate. If not, you may wish to participate voluntarily. Workers' compensation coverage compensates injured workers for lost income, health care and other costs stemming from a work-related injury; employers who have it are protected from being sued by workers if they are injured on the job.

2. What's not covered by my policy?

This is very specific to your circumstances and your policy. Your insurance representative will be able to answer this question. Feel free to ask about all of the possibilities for loss.

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3. Are there risks or hazards for which I cannot buy insurance?

No policy covers everything that could go wrong, because premiums for an “all-inclusive” policy would be impractically high. Insurance is intended for unforeseeable events. “Wear-and-tear,” for example, cannot be insured against. Most losses that result from terrorism are also not covered. Ask your insurance representative to explain further.

4. Are there circumstances under which water damage would be covered?

Yes, but it depends on what type of coverage you purchase. For example, inventory destroyed by water gushing from a broken water pipe may be covered by a standard policy. And, depending on your circumstances, you may be able to buy sewer back-up insurance to cover damage from raw sewage backing up through your drains.

5. Do I have to take what’s offered?

No. Canada’s private insurance industry is highly competitive, with almost 100 companies providing business insurance. Your insurance representative can usually provide you with many different coverage options for your business. Remember that an agent represents one company, while a broker may have access to the insurance products of several companies. Both will work with you to find the best combination of price and product for your business.

6. Will my homeowner’s policy cover my home-based business?

Possibly. The limits on a homeowner’s policy may not be high enough to cover all of the equipment you use for your business. Because typical homeowner’s policies have a limit of about \$2,000 for business losses, you may not be able to replace your computer, fax machine, scanner or digital camera, for instance. It may be worthwhile to pay for additional coverage now, to ensure you can replace everything you might lose later.

If you take work equipment outside of your home, it is not covered under a homeowner’s policy. So, if you use your laptop or other business-related equipment outside of your home, it is advisable to buy a separate policy for it. (Even if you decide not to purchase insurance specifically for your home-based business, you must advise your home insurer of the existence of your business. Your home is no longer what was originally insured; it’s now a home and a business.)

7. If my business is home-based, do I need more liability coverage than what my home insurance policy provides?

Yes. If one of your clients trips on the stairs to your basement office, you may find yourself in a legal mess. In addition, if you are on a business visit to a client’s office or home and, for example, knock bleach onto the carpet, you may also face legal action. Business liability insurance would cover most damages awarded against you and would pay the legal costs to defend you in a lawsuit.

8. What do errors and omissions (E & O) and malpractice insurance cover?

If you are paid to give professional advice, you need errors and omissions insurance. If you give a client professional advice that is inaccurate or incomplete and the client’s business suffers as a result, E & O will cover the damages and defense.

Malpractice insurance will cover you if you provide a service that goes awry. For example, a hairdresser or dog groomer may consider malpractice insurance in case a treatment causes damage. You may also find this kind of insurance offered through professional associations.

9. What is business interruption insurance? What sorts of things does it cover and do I need it?

If your business had to shut down temporarily because of an “insured peril” (something listed in your insurance policy, such as fire), you would be out of pocket for the lost revenues during that period unless you had business interruption insurance. It would pay you what you would have earned during that period. For instance, a garage owner whose business has suffered fire damage would collect the income she or he would have expected from repairing cars during that period. Expenses you no longer have to pay while your business is closed would be subtracted.

10. What is my deductible and how does it affect my premium?

The higher the deductible – the portion of a claim that you have to pay out of your own pocket – the lower the premium. Compare premiums for policies that have higher versus lower deductibles, then decide whether a lower premium is worth the higher amount you would have to pay out of pocket if you made a claim.

Remember, there is no such thing as a dumb question, so don’t hold back!

Bonus Question

What can I do to keep my insurance costs down?

- Choose the highest deductible you can manage.
- Reduce your risk of a loss through damage, theft or errors. If you are a professional, keep your credentials and skills up to date to be sure your advice and services are sound. Ask your insurer for an inspection of your premises to help identify any exposure to damage or theft. You both have a vested interest in minimizing the frequency and severity of losses.
- Protect your computer hardware, software and files by ensuring you have current virus protection software for your e-mail system and a firewall to block hackers. Have a back-up plan in case of a power, Internet-provider or telephone-system failure. Only use suppliers that have similarly adequate back-up supports.
- If it’s appropriate to your business, consider installing sprinklers, an alarm system and a control system for handling cash.

Ask your insurance representative if there are any discounts available for these or other risk management provisions.

For more information about business insurance in your region, contact your insurance representative, call Insurance Bureau of Canada (IBC) at one of the numbers listed in this brochure or visit IBC on the Internet at <http://www.ibc.ca>.

**Understand your insurance.
Make it your policy.**