



Insurance for Small Manufacturers

Although the range of different products manufacturers produce is huge, with only a few exceptions the risk exposures differ more in degree than in kind.

Generally, the most cost effective and efficient way to provide property and liability insurance for your small manufacturing operation is with a Business Owners Policy (BOP). This type of policy offers a package of different coverages for a single premium. Insurers have put together packages tailored to many specific types of small manufacturers. Though marketed under a variety of names, these policies will typically have provisions similar to the property insurance and liability insurance sections of the BOP, with the option to add various other coverages that you may need.

PROPERTY COVERAGE

The package policy covers real estate your business owns. If your plant rents or leases its premises, the policy provides coverage, in the event of a covered cause of loss, for tenants' improvements and betterments. These are fixtures, alterations, installations or additions that you have put into the space that cannot legally be removed from the landlord's premises.

The policy also covers your other business property—equipment, machinery, raw materials, inventory, etc. The insurer will require you to report periodically on values in raw materials, goods at various stages of production and finished inventory so that if there is a loss, the claim can be settled with correct values.

The basic policy usually includes two types of coverage related to electronic data. Computer Operations Interruption Coverage pays for business income lost and extra expenses incurred as a result of many computer problems. Electronic Data Loss Coverage pays the cost to replace or restore electronic data destroyed or damaged as the result of causes of loss named in the policy. These include a computer virus or harmful code. For more coverage, there are several endorsements you can choose to add to your BOP. You should discuss what electronic data your business uses with your insurance agent to assure you have the right coverages.

The basic policy usually includes two coverages that can be vital to your business survival if there is a disaster: Business Income and Extra Expense Insurance (also known as Business Interruption Insurance). Business Interruption Insurance helps pay ongoing expenses while your business is unable to function after a loss and also helps make up for lost profits. Extra Expense Coverage helps you recover as quickly as possible by paying extras expenses caused by the loss—such as rent for temporary quarters. If these aren't part of your basic policy you can probably add them for an additional premium.

There are numerous types of property coverage some businesses need that are not included in the basic policy. Among others, these include coverage for theft and burglary, employee dishonesty, mechanical breakdown or property of others in your care, custody or control. Be sure to discuss with your agent what additional property coverages you may want to add.

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LIABILITY INSURANCE

Liability risks are part of any business endeavor. A package policy provides a broad range of liability coverages—everything from slip and fall accidents to claims of libel or slander. Probably the most important for the manufacturer is Products-Completed Operations Coverage. This provides for legal defense and payment of damages in the event there is a lawsuit charging that a product you manufactured injured the claimant.

Most package policies exclude any coverage for pollution or environmental damage. Coverage can be added through endorsements.

BUSINESS VEHICLE INSURANCE

Your personal auto policy probably provides coverage for some business use of your vehicle. A personal auto policy is unlikely to provide coverage, however, if the vehicle in question is used primarily in business. It will not provide coverage for any vehicle owned by a business. For those vehicles you must have a business auto policy.

Should you be driving your personal truck or van for a business purpose and get into an accident for which you are liable, an injured person could sue you personally. Will your personal auto policy have enough coverage to pay all the damages? If not, a lawsuit may be filed against your business. If you use personal vehicles for business, you want to be sure you have high enough limits to protect your business. You should discuss this with your insurance agent.

WORKERS COMPENSATION INSURANCE

Please check with your local Department of Labor to see if employers, not covered by Federal programs, have workers' compensation coverage or be approved for self-insurance. Even out-of-state employers may need workers' compensation coverage if a contract of employment is entered into in your state or if work is performed in your state.