

Business Plan Workbook #34

Course	Formalizing Your Dream
Topics Addressed	Dealing with Risk/Insurance

Key Points

Dealing with Risk

While we know things can go wrong, your business will face risks and challenges that will be hard to predict or outside of your control. Insurance coverage can provide some protection against the negative effects of unplanned events, like workplace accidents, injuries, or natural disasters.

Insurance is the one of those things that you don't fully appreciate until you actually need to use it – the money that you spend on insurance premiums is an important investment to make sure that unplanned events don't threaten the hard work you have put into your business.

Types of Insurance

There are many different kinds of insurance. You will want to talk to an insurance professional to determine the kinds that are right for you.

General Liability Insurance

Most businesses can be well-protected with “General Liability” insurance coverage. This type of insurance is available from most insurance companies that serve businesses. If you have personal insurance for your home or car, you can likely get general liability insurance from the same company.

Product Liability Insurance

If you are making a product you'll probably want some sort of product liability insurance. This will protect you in the event that one of your products has a defect or failure that could cause harm to the customer or user.

Professional Liability Insurance

If you are providing a personal service, you should consider professional liability insurance. This will protect you in the event that a customer is injured or sustains some kind of loss due to the service that you have provided. You want to make sure you're covered in the event that a customer makes a claim against your business.

Property Insurance

Property insurance may be a good idea, if your business depends strongly on a building or facility. This kind of insurance provides protection in the event that the building gets damaged. It covers the cost of replacing or repairing the building and any equipment inside it.

Worker's Compensation Insurance

If you have employees, you will likely have to purchase Worker's Compensation insurance, so that you can compensate your employees in the event that they are injured on-the-job.

Minimizing Risk

It's impossible to eliminate risk, but you can minimize risks, if you take the time to identify and eliminate potential hazards in your workplace. A hazard is anything that has the potential to harm people and/or property. Hazards can include objects; such as machinery or dangerous chemicals. Hazards can also result from the way that work gets done. For example, a construction company may have hazards related to the way that employees climb ladders, while an accounting firm may have hazards related to the way that employees sit at their desks while doing data entry or other tasks on a computer.

By eliminating workplace hazards, you can lower the risk associated with unplanned events, such as a fires or workplace injuries. As a result, you may be able to lower the cost of your monthly insurance premiums.

Depending on the size and complexity of your business, it may be a good idea to seek advice from a commercial insurance agent. Once you've identified your insurance coverage needs, you should get quotes from a few different insurance companies, so that you can compare prices and get the best possible deal.

Related Business Plan Questions

Below, you will see a business plan question related to the topic noted above. If you print this worksheet, you can use the space below the question to write down some initial thoughts and ideas.

When you're ready to start working on your business plan, return to the course, and select "Open My Business Plan".

Q: What kinds of insurance coverage will you need? What steps will you take to minimize risk in your business?