Chapter 9
Insurance

From both a financial planning and estate-planning standpoint, insurance is one of the most powerful tools for creating, preserving, protecting, and transferring wealth. An important part of having an estate plan is protecting one's estate from losses that can wipe out one's hard-earned wealth. Nothing can deplete an estate faster than a life catastrophe without the proper and sufficient insurance coverage.

However, the topic of insurance is one that will often cause one's eyes to glaze over. Insurance agents sometimes half-jokingly refer to the "insurance shuffle," referring to the backwards dance-like steps someone makes after inquiring what they do for a living and discovers that they sell insurance.

Insurance, like taxes and death, is one of those subjects nobody wants to think about, let alone talk about. It seems to be a complete waste of money as you pay premium after premium on your house, car, health, life, and more, sometimes for decades at a time, without ever filing a claim. It feels as though one is getting nothing in return for all the money being "wasted." At least, until something happens and a claim needs to be filed.

My personal insurance representative's tagline is, "You don't need insurance … until you need it!" She knows everyone knows the obvious, but unspoken, "And when you do need it, you will be very thankful you had the foresight to have gotten it!"

Consider a widow with young children, whose husband was critically injured in a fire in their home, required emergency surgery, and sadly, did not survive. A property and casualty insurance policy will cover the cost of repairs to the house. A health insurance policy will cover the medical bills.

Having sufficient life insurance proceeds will provide financial stability by providing the widow with enough money to keep the house, pay the mortgage and bills, feed her family, and even provide money for the future educational needs of the children. Most of all, it will provide her with peace of mind, allowing her to decide if she wants to work while the kids are growing up. Without the insurance, she may be forced into taking a job to keep food on the table.

If the husband owned a business, along with a buy-sell agreement with a willing purchaser, a life insurance policy on the husband's life could provide the buyer with the funds needed to buy the husband's business, protect the husband's widow from the stress of trying to sell a business she may have no interest in owning or operating, and provide her with a sum of money to provide for herself and her children.

On the other hand, if his widow would prefer to remain the owner of the company, but lacks the knowledge, skill, or time to do so, a key-person life insurance policy will provide the funds needed to cover the salary of someone hired to continue to operate the business.

Say the husband hadn't died, but rather was disabled or seriously injured in the fire. A disability insurance policy would provide an income during his recovery, and an income continuation or business expense policy would cover lost income and/or the costs incurred in continuing business operations

If the husband needed to go into a nursing home or rehabilitation facility, long-term care insurance would cover the cost for several years.

Let us review some of the powerful ways that insurance can be used to create, preserve, protect, and transfer wealth.

Insurance is a tool that can be used to create wealth

Certain types of life insurance policies enable you to invest your money on a tax-deferred (and sometimes tax-free) basis to grow your assets and provide a future income to yourself and loved ones.

When you invest in a bank account, stocks, mutual funds, etc., all the interest, dividends, and realized capital gains are taxable to you when you file your annual income tax return, even if you don't take any of the money paid out and reinvest all of it. In an insurance or annuity product, all the interest, dividends, and realized capital gains continue to grow on a tax-deferred basis, enabling the investment to grow at a faster rate.

Certain policies will even allow you to borrow funds from your own policy on a tax-free basis should another opportunity come along requiring investment capital.

In addition, insurance creates wealth by enabling you to **leverage** your premium dollars to provide for your goals.

At the time of writing this book, I am 65 years of age. If I am in better-than-average health for the next 10 years, I can get $100,000 worth of term life insurance for an annual premium of about $1,500.00 per year. So, if I should die this year, my $1,500.00 will provide a death benefit of $100,000 to my beneficiaries. The tradeoff is, of course, if I live, neither I, nor my beneficiaries, will get the $1,500.00 I paid for the insurance each year.

Obtaining insurance at younger ages provide even greater leverage: If I was 50 years of age, I could get $300,000 for the same premium (or $100,000 coverage for about one-third of the cost). If I was 40, I could get $600,000 for the same premium (or $100,000 coverage for about one-sixth of the cost).

Other types of insurance policies allow you to build up cash reserves in a tax-advantaged manner, and may allow you to borrow funds from your own policy, should the need arise.

So, for a relatively small premium, a significant sum can be available to provide for your loved ones' future needs, provide capital to enable someone to purchase your business for cash, and provide a significant inheritance to your beneficiaries, often free from federal income taxes.

Insurance is a tool that can be used to preserve wealth

Insurance protects one from being wiped out in the event of a catastrophe by spreading the risk amongst thousands of people. Without health insurance, emergency medical care can range from tens of thousands to hundreds of thousands of dollars, which is why unanticipated medical expenses are probably the leading cause of bankruptcy in the United States. Without homeowner's insurance, would you be able to replace your house if it burned down? Without liability coverage on your automobile insurance policy, if you cause an automobile accident, you could be sued for hundreds of thousands of dollars.

When my daughter was 16 years old, while driving her car, she was temporarily blinded by the sun and rear ended another car. Since she was under 18, her car was registered in my name. And since she was the driver, and I was the owner, we were both named in the lawsuit. And even though there wasn't significant damage to the other car, the driver of the other car was injured sufficiently to result in a $55,000 settlement. Our insurance automobile insurance policy paid all of it, as well as the legal fees for our defense attorneys.

The very same year, while driving in the rain, I hydroplaned into a tree, totaling my car (the same accident that was my inspiration for writing this book). Within a few days, my insurance company paid me the $16,000 value of the car. It also covered the year's worth of treatments by a chiropractor to cure my injured back, an injury that didn't appear until weeks later. I was fortunate to have been in my car alone, as the passenger side of the car took the brunt of the collision. Had a passenger been in the car with me, I don't know if he or she would have survived. But my liability insurance would have covered my potential liability to my passenger, too. And if the claim exceeded my policy limits, an umbrella policy, which adds additional coverage limits over the basic limits, would have covered most, if not all, of the excess liability.

The total of the claims covered by my insurance that year exceeded $80,000.00, preserving that money for my future use. So, if I had previously been complaining about wasting my money on insurance premiums for so many years without a claim, this was certainly one year I didn't complain at all.

Insurance is a tool that can be used to <u>protect</u> wealth

In most states, the value of annuities and the cash value in life insurance policies are often protected from the claims of creditors in the event of a lawsuit. Sizeable amounts of assets can be invested in annuities and insurance policies, but this protection varies from state to state, so be certain to ask your financial advisor, insurance agent, and estate-planning attorney about the protection your state provides you.

Insurance is a tool that can be used to <u>transfer</u> wealth

In general, life insurance passes to your beneficiaries free from federal income taxes and, for most people, free from federal estate taxes (but check with your estate-planning attorney regarding inheritance laws in the state in which you reside). It is a fast, convenient, and relatively inexpensive way to provide a particular sum of money to your loved ones upon your death. Please note that life insurance may be added back into your estate to calculate federal estate taxes and state inheritance taxes, so if life insurance brings your total net worth above the amount that would result in federal estate or state inheritance taxes, advanced estate planning with an attorney will be advisable.

I will discuss some of the uses of life insurance below, but also want to discuss many other forms of insurance one may want to consider to protect their assets, preserve their estates, and meet other important objectives. After all, a catastrophe involving your property, business, health, as well as your life, can cause financial devastation on the assets you have for your future needs, and on the wealth you had hoped to pass onto your loved ones.

This chapter is not intended to be an all-inclusive treatise on insurance. The laws of each state are too varied, and how your needs and objectives may be served by the various types of insurance available are far too varied to discuss here. This chapter is merely meant to be an introduction to the subject of insurance in order to pique your interest, consider coverage you may not have known was available or suitable for your circumstances, and to encourage you to be sure to speak with your financial advisor, insurance agent, and/or estate-planning attorney regarding the use of various types of insurance as tools to achieve some of your estate planning and financial planning goals.

Many of the most common types of insurance are provided as benefits by many employers to their employees, sometimes at no cost to the employee, but more often at a lower rate than might otherwise be available to the employee if he or she obtained the insurance individually.

The most common types of insurance offered through employers are life, health, disability, and dental coverage.

For example, many employers will provide $50,000 in life insurance at no cost to the employee, although the employee can often pay to increase the coverage, if desired, often to as many as 5 times the employee's annual salary.

A benefit of an employer-sponsored life insurance plan may enable an employee, who might otherwise not be insurable due to medical circumstances (e.g. cancer, heart attack, etc.), to be covered by a group plan.

This is usually a **term life insurance** policy, which means the employee is insured only for the term of the policy, usually one year at a time. If the employee separates from the company (i.e., quits or is terminated), the policy may lapse, although the employee may be allowed to maintain the coverage, albeit at substantially higher rates. Since the cost of term insurance increases every year, as the employee gets older, the cost continues to rise. In one's 60s and older, the annual increase in premium starts to rise dramatically.

For this reason, you may want to discuss the matter with your life insurance agent to see whether a level premium term policy would work for you, either in place of, or as a supplement to, the life insurance coverage offered through your employer. A level premium term policy enables you to lock in a fixed annual premium for a set number of years during which the protection is needed. For example, when my children were young, I took out a 20-year level term premium on my life, which gave me peace of mind, knowing I had provided them with enough financial security to protect them through the age of college. Note: At the end of the 20 years the coverage lapsed unless I was willing to continue the policy at a significantly higher annual premium. After all, I was now 20 years older than when I initially took out the policy. Accordingly, I was now a much higher risk to a life insurance company.

Life Insurance
Quite simply, a life insurance policy pays out a sum of money either on the death of the insured person or after a set period. As described above, it can be used in a multitude of ways, but most commonly it is to provide a source of financial stability for your family upon your death.

Second-to-Die Insurance
Generally, second-to-die insurance is used for estate planning. It is a type of cost-effective life insurance on two people that provides benefits to the heirs only after both spouses die. This differs from regular life insurance in that the surviving partner doesn't receive any benefits after their spouse dies.

People who take out this type of insurance are thinking of their heirs, not themselves. For example, it could be designed to pay estate taxes or support any surviving children. It is also called dual-life insurance and survivorship insurance.

These policies cover two or more people for less money than two individual policies would cost. For even more cost flexibility, you can choose to have a joint policy issued as term coverage, or you can choose the protection and cash value accrual of a permanent policy.

Annuities
An annuity is offered through insurance companies as a financial product designed to accept and grow funds from an individual, usually on a tax-deferred basis, and then, upon annuitization, pay out a stream of payments to the individual at a later point in time. The period of time when an annuity is being funded and before payouts begin is referred to as the accumulation phase. Once payments commence, the contract is in the annuitization phase.

In practical terms, an annuity is a type of insurance product which provides the opposite type of protection provided by life insurance. Life insurance is to protect your loved ones if you die too soon. Annuities provide you with an income stream, usually for the balance of your life, to protect you from living too long.

Accidental Death & Dismemberment (AD&D) Insurance
As the name suggests, accidental death and dismemberment (AD&D) insurance is a policy that pays benefits to the beneficiary if the cause of death is an accident, and is considered a supplement to life insurance and disability insurance.

In the event of an accidental death, this insurance will pay benefits in addition to any life insurance but only up to a set amount total, regardless of any other insurance held by the same insurer, held by the client. This is called double indemnity coverage and is often available even when accidental death insurance is merely an add-on to a regular life insurance plan. Some of the covered accidents include traffic accidents, falls, heavy equipment accidents, and drowning. Accidental deaths are the fifth leading cause of death in the United States.

Accidental death insurance is not an investment vehicle and thus, clients are paying only for sustained protection. Most policies must be renewed periodically.

The “dismemberment” portion of the name refers to benefit payments made for the loss of limbs, fingers, toes, sight, and permanent paralysis, and is generally calculated as a percentage of the “face amount” of the policy, depending on the seriousness of the injury. For example, the accidental death portion of the policy will pay 100% of the face amount for an accidental death. Different percentages of the face amount will be paid if you lose a thumb and finger on the same hand, more if you lose a hand, foot, or sight in one eye, and 100% if you lose two or more limbs, or sight in both eyes.

Some policies will pay double the face amount (i.e. **double indemnity**) for injuries or deaths due to accidents under certain circumstances, such as riding as a paying customer on a plane, bus, etc.

Compare that to life insurance, which pays money to your beneficiary if you die from ***any*** cause—such as accident, illness or old age—except for suicide during the first one or two years of the policy, depending on the state and the terms of the policy.

Long-Term-Care Insurance (LTC)

The U.S. Department of Health and Human Services estimates that approximately 70% of Americans will need long-term care during their lifetimes. In addition, 69% of Americans older than 90 years of age will have some form of disability, which often results in the need for long-term care.

Consider that, in 2013, the median annual cost of a private room in a nursing home was $83,950, or $230 per day. A private one-bedroom unit in an assisted living facility has a median cost of $3,450 a month, or $41,000 annually. The cost of both types of care have been rising at the rate of approximately 4.5% per year. Compare these amounts with your life savings, retirement accounts, and other assets, and ask yourself if you will have enough money to pay $40,000-$85,000 per year. If you are married, multiply the number by two. How long will your money last?

While long-term care coverage can cost several thousand dollars a year, compared to the above costs of a nursing home or assisted living facility, the expense of the insurance may be well justified for you. This is a matter to discuss in detail with your insurance and/or financial advisor.

As with life insurance, the longer you wait to obtain the coverage, the more expensive the premiums will be. For this reason, many people purchase this coverage before they retire from their job, usually in their 60s. If you wait until you are 80 years of age or in poor health, you will probably be ineligible for coverage.

Many people incorrectly believe long-term care insurance covers just nursing home care. This is inaccurate, as it can pay for a wide variety of nursing and rehabilitative services at home and away from home, for people with a chronic illness or disability, or people who need less intensive help, as with bathing, eating, or dressing.

People often think that Medicare will cover long-term care expenses, which is incorrect. Medicare will pay for the first 100 days of nursing home care, but only if you are getting skilled care, and if you go into the nursing home immediately after a hospital stay of at least three days. Both are required. Medicare may also cover limited home visits for skilled care and some hospice services for the terminally ill, but that’s pretty much all that is covered.

On the other hand, Medicaid, which is provided at the state level, can pay for long-term care, but only if you are destitute. Do you want to spend all your money on your care before qualifying for Medicaid? Note: There are methods of “Medicaid planning” some elder law attorneys can discuss with you, which may help to preserve some assets for your beneficiaries, but this type of planning is quite specialized and can be expensive to implement.

I consider a discussion of long-term care and life insurance coverage to be such an important topic and integral part of the estate-planning process that I require my clients to sign a statement acknowledging that they understand the importance of discussing both types of coverage with their insurance and/or financial advisors, and if they already have either or both types of coverage, to reconfirm that the amount of coverage they own is sufficient for their current and future needs, and the needs and protection of their loved ones.

Health Insurance
Health insurance is a type of insurance coverage that pays for medical and surgical expenses incurred by the insured. Health insurance can reimburse the insured for expenses incurred from illness or injury, or pay the care provider directly. Prescription drug plans are a form of insurance offered through some health insurance plans. There is often a deductible amount and/or a co-pay, which must be satisfied by the patient before the insurance company is required to pay anything. Since insurance is meant to share the risk between the patient insured and the insurance company, requiring the patient to pay a portion of the medical bills helps to prevent the patient from seeking unnecessary (and sometimes expensive) medical treatment for minor illnesses or injuries.

Disability Insurance
Disability insurance is an insurance plan that provides for periodic payments of benefits when a disabled insured is unable to work. The insurance product is designed to replace anywhere from 45 to 65% of your gross income on a tax-free basis should illness keep you from earning an income in your occupation.

There are two types of disability insurance:

1. **Short-Term Disability** policies (STD), which have a waiting period of 0-14 days before payments begin, and usually limit the protection period to no longer than two years.

2. **Long-Term Disability** policies (LTD), which have a longer waiting period (e.g. several weeks to several months) before payments begin, with a maximum benefit period ranging from a few years to the rest of the insured's life.

Medicare & Medicare Supplemental Insurance
Medicare is a U.S. federal government health insurance program that provides health care for the aged, defined as 65 years of age or older. It also covers certain disabled persons under 65. The program is administered through the U.S. Social Security administration, and reimburses hospitals and physicians for medical care provided to qualified people. The basic Medicare plan will pay most medical expenses, but is subject to certain deductibles for health care, hospitalization, surgery, drugs, and more, which must be paid by the patient.

Therefore, supplemental plans are offered through select private insurance companies to cover most, if not all, of the deductibles.

Homeowner's Insurance – Property, Liability, and Casualty
Be certain that you understand what is, and equally important, what is <u>not</u>, covered by your insurance policy. Assuming you are covered for anything and everything that can happen can be an extremely expensive mistake.

What happens in case of a fire, flood, earthquake, or a sewer backing up?

What happens if someone hurts themselves inside your house?

What happens if a worker you have hired falls off your roof?

What happens if you are robbed?

Does your homeowner's insurance cover you when you are out of the house, say, on vacation?

What else does it cover?

Is all your jewelry covered? Most policies limit coverage to a certain dollar limit unless you increase the coverage through purchase of a "rider," which provides a formal modification to the terms in the policy. This also applies to other types of valuables, such as collections, artwork, antiques, etc. What about your computer and other electronics?

Don't forget about replacement-cost coverage. Most policies will pay you a depreciated value due to the age of the item. So, that big screen television that cost you $1,200 5 years ago, and would cost the same to replace today, may have a depreciated value of just $300. Ask your agent about replacement-cost coverage, which is usually just a nominal additional amount when compared to the difference between buying a new replacement for whatever has been stolen or damaged, compared to the depreciated value.

Personal property coverage – jewelry, artwork, computers, and electronics.

Here's a "fun" assignment: Take out a sheet of paper. Assume that your house has just burned to the ground. Start listing everything you own that was in the house. Include the obvious, such as kitchen appliances, bedroom set, dining room, dishes and glassware, bowls, pots and pans, silverware, good china and crystal, etc. Now, think about every picture hanging on the wall, all the contents of your shelves and drawers, all the boxes of stuff in your closets, how many suits, pants, shirts, etc. (for the guys), or dresses, slacks, blouses, etc. (for the ladies). What about underwear? I bet you'd be surprised by how much of everything you have. Now, try to put a value on all it. It is quite a hefty amount, isn't it?

For this reason, I recommend taking a video inventory of the contents of your house (or paying a service to do it for you). I believe the above exercise will reinforce the concept that one is unable to remember all the contents of one's home order to file a claim. Having a video inventory of every room, closet, drawer, shelf, etc., while you are dictating aloud what the camera is capturing will help jog your memory, and may be useful evidence establishing what you had in your home on the particular date of the video. Remember to chronicle the date of taking the video (e.g. video the front page of the local newspaper, zooming on the date), try to get as many serial numbers as possible for high-expense items (see chapter on getting organized), and keep it in a different location, lest it be destroyed in a fire – safe deposit box. Don't forget to include the garage, attic, basement, shed, the trunk of your car, outside storage unit, and things kept at your place of employment.

Some people just take pictures, which is better than nothing, but I prefer a video for the accompanying narrative describing the contents of the house, and counting the number of dresses, pants, and yes, even socks and underwear.

Ask your insurance agent what type of proof the insurance company will want if you need to file a claim. What will they require and what will suffice to satisfy them? Receipts of purchase? Pictures? Videos? A written list of assets?

Condominium Insurance

If you own a condominium, as opposed to a house, your condominium association's insurance does not cover the contents of the unit you own. The insurance that is included in your monthly assessment generally covers the structural elements of the building (roof, floors, walls, etc.) and common elements of the building (e.g. hallway, parking garage, etc.). It does <u>not</u> cover your own valuables, furnishings, or other contents of your unit. Similarly, if there is a fire or other catastrophe, while the insurance may cover the installation of the structural components of new walls, it may not cover the cost of decorating them with new paint, retiling the bathroom, or replacement of other improvements (e.g. upgraded kitchen cabinets) you have made within your unit.

You should have your own policy to cover your valuables and other contents of your unit, as well as for liability if someone hurts themselves inside your unit.

Renter's Insurance
As with condominium insurance above, if you are a tenant, whether it is a house, condo, apartment, or other rental unit, your landlord's homeowner's insurance does not cover your own contents or valuables inside your rental unit. If a thief breaks into your unit and steals your valuables, while the landlord's insurance may cover the cost of replacing a broken lot, renter's insurance is needed to replace your own stolen valuables and protect you if someone hurts themselves while inside your unit. The cost of this coverage, unless you have significant valuables, is rather nominal in cost. And as above, do not forget to obtain replacement cost coverage.

Prepaid Funeral/Burial/Cremation Insurance
The typical funeral can cost between $7,000 and $10,000, including the services at a funeral home, casket, burial in a cemetery, and installation of a headstone. There are plenty of additional expenses that can be incurred, depending on the desires of the decedent and his or her survivors. This type of insurance covers the cost, determined in advance by the insured, to be paid for **funeral** services and merchandise costs.

Similarly, National Cremation & Burial Society, Neptune Society, and other organizations, offer pre-paid cremation services.

By making all your arrangements (and paying for them in advance), you save your grieving family the hassles and pressures of making numerous decisions on many of the difficult details regarding your funeral, as well as having to come up with the funds to pay for it.

Automobile Insurance (including uninsured and under-insured motorist coverage)
As a condition of having a driver's license, most, if not all, states require drivers to purchase a minimum amount of liability insurance coverage, which pays for injuries and property damage that you cause to others in an accident. It does not cover your own injuries or property damage. Sadly, the mandatory requirement is often a very low amount, such as $10,000.00.

I recently had a new probate matter referred to me in which the father of two young children was killed by a drunk driver who had no insurance (and no other assets to pursue). Before he died, he was flown by medevac (air ambulance transport) helicopter to a nearby hospital at a staggering cost of $42,000.

The deceased father had the state-mandated minimum liability policies ($10,000) on both of his vehicles, which enabled the attorney handling the wrongful death claim to "stack" the policies, qualifying for double coverage, or $20,000 under the uninsured motorist coverage on his policies. The father had no life insurance coverage.

So, $20,000 less a fee to the attorney (30% of the proceeds, which is $6,000) left 14,000. Subtracting the funeral expenses of $6,000 left $8,000. Subtract probate expenses and the potential need of Guardianship for the minor children, and not much remained for two children.

Having no insurance coverage, of course, is inexcusable. Having just the mandatory minimum coverage to have the legal right to drive isn't much better.

Having sufficient coverage (including uninsured and under-insured coverage) is essential to protect not only the cost of your own medical bills, repairs to your automobile, and liability for others' medical and automobile repairs, but also a sufficient amount to protect and provide for your loved ones and protect your hard-earned assets.

If the drunk driver in the above scenario had had bank or investment accounts, owned a business or non-homestead protected assets, he could have potentially lost all those assets due to his actions.

While I have absolutely no sympathy for the drunk driver (or for any drunk or otherwise impaired driver), my heart goes out to the family of all the victims of his action: the deceased father, both children, and the families who will need to raise the children without sufficient financial resources needed to give them a good life.

And the $42,000 medevac helicopter bill gets paid by Medicaid, or more accurately, by everybody else's tax dollars.

Various automobile insurance coverages often included in a comprehensive coverage policy include:
Liability
Personal Injury Protection (PIP) & Medical Coverage
Collision and Comprehensive (optional)
Uninsured/Underinsured Motorist
Emergency Road Service Coverage
Towing and Labor Coverage (optional)
Gap Insurance; and
Rental Reimbursement Coverage (Optional)

And whatever you do, don't forget to obtain adequate uninsured/underinsured coverage!

Umbrella Policy
An umbrella insurance policy is extra liability insurance coverage that goes beyond the limits of the insured's home, auto, or watercraft insurance. It provides an additional layer of security to those who are at risk for being sued for damages to other people's property or injuries caused to others in an accident.

Business Insurance Policies
As for types of business insurance, the types of coverages available are as numerous and varied in what they cover as the number and variety of businesses.

Since this chapter is not meant to be a treatise on all the types of insurance policies that are available—which are numerous!—a short list of coverages you may want to discuss with your commercial/business insurance agent include:

Property Insurance
Property insurance pays for losses and damages to real or personal property. For example, a property insurance policy would cover fire damage to your office space.

You can purchase additional coverages for business property, including:

- **Boiler and Machinery Insurance**, sometimes referred to as "equipment breakdown" or "mechanical breakdown coverage," provides coverage for the accidental breakdown of boilers, machinery, and equipment. This type of coverage usually will reimburse you for property damage and business interruption losses (e.g. fire damage to computers).

- **Debris Removal Insurance** covers the cost of removing debris after a fire, flood, windstorm, etc. For example, a fire burns your building to the ground. Before you can start rebuilding, the remains of the old building must be removed. Your property insurance will cover the costs of rebuilding, but not the cost of removing the debris.

- **Builder‘s Risk Insurance** covers buildings while they are being constructed. For example, a builder‘s risk policy would cover losses if a windstorm takes down your partially-constructed condominium complex.
- **Glass Insurance** covers broken store windows and plate glass windows.
- **Inland Marine Insurance** covers property in transit and other people‘s property on your premises. For example, this insurance would cover fire damage to customers‘ clothing from a fire at your dry-cleaning business.
- **Business Interruption Insurance** covers lost income and expenses resulting from property damage or loss. For example, if a fire forces you to close your doors for two months, this insurance would reimburse you for salaries, taxes, rents, and net profits that would have been earned during the two-month period.
- **Ordinance or Law Insurance** covers the costs associated with having to demolish and rebuild to code when your building has been partially destroyed (usually 50%). For example, your three-story building is 100 years old. A flood destroys the basement and first two stories. Because more than 50% of your building has to be rebuilt, a local ordinance requires that the building be completely demolished and rebuilt according to current building codes. Property insurance covers only the replacement value, not the upgrade.
- **Tenant‘s Insurance.** Commercial leases often require tenants to carry a certain amount of insurance. A renter‘s commercial policy covers damages to improvements you make to your rental space and damages to the building caused by the negligence of your employees.
- **Crime Insurance** covers property crimes such as theft, burglary, and robbery of money, securities, stock, and fixtures from employees and outsiders.
- **Fidelity Bonds.** A bond company covers losses due to a bonded employee‘s theft of business property and money.

Liability & Products Liability Insurance covers injuries that you cause to third parties. If someone sues you for personal injuries or property damage, the cost of defending and resolving the suit will be covered by your liability insurance policy. A general liability policy will cover you for common risks, including customer injuries on your premises.

Errors and Omissions ("E & O") Insurance covers inadvertent mistakes or failures that cause injury to a third party. The act must be one of inadvertent error, and not merely poor judgment or an intentional act. For example, an E & O policy will cover damages arising from an insurance agent failing to file policy applications, or a notary forgetting to fill out notarizations properly.

Malpractice Insurance, or professional liability insurance, pays for losses resulting from injuries to third parties when a professional‘s conduct falls below the profession‘s standard of care. For example, if a doctor makes a mistake that other doctors of his specialty would not have made, his patient might sue him. A malpractice policy will pay his defense costs and any judgment or settlement. Malpractice insurance is available for doctors, dentists, layers, accountants, real estate agents, architects, and other professionals.

Commercial Automobile Insurance cover the cars, vans, trucks, and trailers used in your business. The coverage will reimburse you if your vehicles are damaged, stolen, or if the driver injures a person or property.

Directors' and Officers' Liability Insurance is generally purchased by corporations and nonprofit organizations to cover the costs of lawsuits against directors and officers.

Workers' Compensation Insurance covers your business for an employee‘s on-the-job injuries. Businesses with employees are required by various state laws to carry some type of workers‘ compensation insurance. In most cases, workers' compensation laws prohibit the employee from bringing a negligence lawsuit against an employer for work-related injuries.

Cyber liability/data breach insurance is designed to cover consumers of technology services or products. More specifically, the policies are intended to cover a variety of both liability and property losses that may result when a business engages in various electronic activities, such as selling on the Internet or collecting data within its internal electronic network.

Most notably, but not exclusively, cyber and privacy policies cover a business' liability for a data breach in which the firm's customers' personal information, such as social security or credit card numbers, is exposed or stolen by a hacker or other criminal who has gained access to the firm's electronic network. The policies cover a variety of expenses associated with data breaches, including: notification costs, credit monitoring, costs to defend claims by state regulators, fines and penalties, and loss resulting from identity theft.

In addition, the policies cover liability arising from website media content, as well as property exposures from: (a) business interruption, (b) data loss/destruction, (c) computer fraud, (d) funds transfer loss, and cyber extortion and ransomware.

Key Person Insurance is life insurance on the key person in a business. In a small business, this is usually the owner, the founders, or perhaps a key employee or two. These are the people who are crucial to a business; the ones whose absence would sink the company. You definitely need to consider key person insurance on those people.

Succession Planning for small, family-owned companies, often means training the next generation to take over the business. A larger business might groom mid-level employees to one day take over higher-level positions. In a partnership, one method of succession planning has each partner purchase a life insurance policy that names the other partner as the beneficiary. That way, if a partner dies at a time when the surviving partner otherwise wouldn't have enough cash to buy the deceased partner's ownership share, the life insurance proceeds will make that purchase possible. This type of succession plan is called a cross-purchase agreement and allows the surviving partner to continue operating the business.