

Risky Game of the Right amount of Coverage

When we think about insurance coverage it is much like gambling, it is a game of odds and chance. When you go to the race track, you can see the odds of betting on a particular horse, when you buy a lottery ticket, you can calculate the odds of winning. Slim as those odds may be, many people are quick to put a little cash out for the opportunity of winning on their investment. There is something about the game of chance that raises the adrenalin and makes one feel that they are beating the system.

But, how about the odds of losing. I don't mean losing your investment into a lottery ticket. I mean losing your hard-earned assets and future potential for income. I am talking about the odds of being sued by a customer, having your building burn down, having a serious accident, having a key player in your business die or any number of other calamities. Having insurance is nothing more than calculating the odds that something will go

wrong and betting that your investment into that monthly premium will pay in the long run.

Somehow, investing into insurance to take care of that unforeseen loss just does not create that same adrenalin rush that we think of when making a wager, but it should be there. It may just be the biggest win of your life.



In your business, analyzing your need for insurance is one part of an overall risk management plan. A few other items that should be a part of that plan includes fraud and employee theft prevention, customer and employee safety, compliance with regulations, asset security, data security, and succession planning.

Calculating the odds that something big will happen is difficult. It may seem like the odds of having your building burn down are small. But if it does, even if you are leasing the facility, you will lose your inventory, your equipment, your paperwork, and your ability to make sales and retain employees. Can you cover this loss and get back into business?

You may feel that having the liability protection of a Corporation or Limited Liability Company will prevent you from losing all your personal assets in the case of a lawsuit. Can you still afford to make payments on that home and boat if your company suddenly has a multi-million dollar settlement that forces it into bankruptcy?

Think even smaller. What are the odds of having a car drive through your front window or having someone steal your tools that are needed for tomorrow's job. Can you manage to not be in business for several days and

can you cover the costs of replacements?

Some things have small odds, others are much higher. The chance of us getting hit with a Hurricane Katrina is slim to none here in Utah, but the chance of a flood hitting businesses at the mouth of Ogden Canyon does exist. The odds of having to close your doors to business for a period of time or pay out on a settlement are much higher than we want to believe.

It is up to you to decide what insurance coverage you need based on the risks to your business and your ability to survive without insurance should the unforeseen happen. Do you want to insure against all potential hazards? Probably not. Do you want to evaluate the

odds and insure against the mostly likely hazards? Well, it can be a good idea.

Of course, there are many things that you should do to minimize the odds of ever having to make that insurance claim. You don't want to store combustible materials near a flame at your business any more than you would at home. You want to screen potential employees. You want to clear snow off the sidewalk and throw out ice melt. You want to make sure the brakes on the delivery van are sound. You want to do everything you can to prevent potential losses. Insurance is only a measure to prevent loss once you have done everything else you can.

As part of your risk management plan, you should set time aside to evaluate your insurance coverage. Actually block off time on your calendar to review your plan and talk with your insurance agent. As you do that evaluation, don't be driven by the cost of the policy. Be driven by the odds. What are the odds of you needing to make a claim and what are the costs to you, your business, your family and your future if you don't have coverage should that circumstance come up.

Being a winner is rarely tied to going for the long shot on something out of your control. Being a winner is managing your business with all the tools available to insure success. Insurance coverage is one of those tools that put you in control.

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