

General liability insurance is one of the first types of policies you will need if you are starting a new business. At Clinard Insurance we are seeing many new small business startups. Starting your own company is popular these days with the layoffs we are seeing in our economy.

The best choice is often to pursue something that you love doing and so we are seeing lots of people starting new businesses around their building skills.

But just because you love to build things doesn't mean you know the best way to protect yourself and your company from lawsuits.

Here are some tips for pitfalls that you should avoid when buying general liability insurance.

Choosing the right agent. The first place people generally go for their business insurance is the insurance agency that handles their home and auto insurance.

In some cases this will work out well.

But the risk is that your current agent may be licensed to sell you general liability insurance on your new company while really possessing very little experience in evaluating the hazards and risks of your specific type of company.

I would suggest that you go out there and look for an agent that specializes in insuring other small businesses like yours.

Ask your competitors who they used.

At Clinard Insurance we have a niche specialty in small contractors and we speak their language and understand their needs.

If your agent doesn't specialize in your business, I suggest you find one who does.

Claims Made or Occurrence Policy Type: Construction claims made policies became popular in the mid 1980's and have been around ever since.

The promise of these policies were lower rates, but at what long-term damage?

In some instances there is no cost savings.

Claims made policies for a contractor are the worst possible policy you can buy.

Let me explain:

Claims made policies allow you to make claim on your policy only during the year they are in force.

Contractors have claims down the road, not always just in the same year as the project is built!

Also, if you want to leave that company and go to another company, you will have to purchase additional insurance to cover you for the next 10 years... that's right, 10 years! Why? Because the law allows customers to file a lawsuit for construction problems for up to 10 years after the project was completed.

An Example:

You build a new room addition, everything goes well and you and your customer are very happy with the final outcome... 4 years later your customer calls you and says that the roof is leaking and water came in the house and ruined his new \$25,000 grand piano.

He expects you to repair the roof, the drywall, wallpaper, carpets and, of course, replace the grand piano....

A claims made policy will not allow you file a claim 4 years later unless you stayed with that same company the whole time. If you intend to change companies after you have had a claims made policy, you must make a decision. If you want to have protection for any claims that have not occurred yet, but will in the future, you will have to purchase “tail” coverage.

This coverage will extend the time in which you can file a claim.

And tail coverage is not cheap.

If you decide not to buy the “tail” you will not be able to report a claim against the claims made policy. And to make matters worse, some companies do not offer the 10 year extension.

So.... When your claims made policy comes up for renewal, you must decide:

Ø Do I leave the company and pay the additional insurance for coverage for the next 10 years, or go without protection.

Ø Do I stay with the same company? Their prices on the new year may stay the same or go up sharply.

Ø Do I switch to another company who has better rates and coverages?

This limits the marketplace for you, and makes it harder to accept a better bid from another insurance company. Claims made policies may work in other industries, but for Contractors they are a disaster. Take time after reading this report to see if your current policy is either an occurrence form or a claims made form.....

Insurance Company Rating It is up to you to do the due diligence and ask your agent about the financial health of the company from whom you are buying your general liability insurance.

As the previous tip implied, sometimes the claims may be very much delayed and you need to know that your company can pay a claim for you 10 years from now.

Use only A rated or higher insurance companies to protect your business.

Exclusions, Understand Them Clearly Be sure to take the time to ask your agent about the policy exclusions and what they may mean for you.

Here are some exclusions that contractors should consider when purchasing a general liability insurance policy:

Pesticide, Herbicide and Fungicide Exclusion, Employment Practices Liability Exclusion, X.C.U exclusion, Contractors Warranty Exclusion, Professional Liability Exclusion, Asbestos, Independent Contractors. If you don't know exactly what these mean for you on your policy, contact your agent and get the help you need to understand it clearly.

This may change the way you run your business.

Subcontractors Be sure that you understand just how your policy treats subcontractors. Are you covered if they have no insurance or not enough for the loss?

How much coverage should you require of your subcontractors?

How often should you obtain certificates of insurance?

How can you be sure that the certificate of insurance is legitimate.

(I have seen fraudulent certs for sale on ebay before).

If you are not clear about the answers to these questions vis-à-vis your business and your general liability policy, you should call your agent right away and get the answers you need to sleep well at night.

As you can see buying general liability insurance is not a simple as calling your agent and asking for a quote. You need an experienced professional that understands the policy forms and your business. At Clinard Insurance we specialize in helping small contractors navigate the dangerous waters of the insurance world.

If we can help you further, or if you would like more information about Clinard Insurance Group, please visit our web site.