

Sharon Elaine Thompson

If you think your business is too small for the kinds of insurance that could protect you against big losses, good news. We've

GOTCHA COVERED!

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by

Sharon Elaine Thompson

Like many single-craftspersons, you may have your business in your home--in a basement, spare room or converted garage. Maybe as a result, you think your homeowner's insurance will cover a loss. (It's very unlikely that it will.) Perhaps you think you are too small to need business insurance. However, your business is just as open to a loss from fire, accident, theft and natural disaster as a larger one. And, writes Dorothy Bocian in the Craft Emergency Relief Fund (CERF) newsletter, CERFnews, these losses "often...leave professional craft artists on the brink of ruin because they have not properly protected their businesses with business insurance."

TRULY UNAFFORDABLE?

If you think business insurance is unaffordable, take a look at your business and see where you might suffer a loss. To do this, Jeff Busha, in the office of legislative communications for the Small Business Service Bureau (SBSB), recommends that you take a close look at the product you manufacture, and how it is distributed. Manufacturing a product means you'll have tools, equipment, inventory to consider as well as the risks involved in each step of the manufacturing processes. There is the risk of theft, from the studio, from a gallery or show, and from a vehicle or hotel room during transportation. There is the risk of liability from someone injured in your studio or from a piece of jewelry you've made and sold them.

Then there is the risk of disaster to the studio: fire, flooding, trees or wires falling in extreme weather. And there is the risk to someone else's property if your studio catches fire or your booth blows down onto someone else's.

Next, suggests Darin Kath, vice-president of underwriting at Jewelers Mutual Insurance Company, go through your shop when it is quiet--before you sit down to work in the morning, perhaps, or in the slow weeks after the holidays--and, with the aid of the list below, look at what would have to be replaced in the event of a fire or other disaster. Bocian suggests listing "everything of value that your business could not survive without and that you could not replace out-of-pocket if a disabling event took place."

Then look at the potential cost of that loss: replacing tools, equipment, supplies, materials; rebuilding a studio; replacing finished work; paying a lawsuit claim; repairing or paying for damage to a neighboring booth or building; paying bills while you're rebuilding the business structure; and lost income. This should not be a mental exercise. You should write down actual costs. Take your time and consider those "extras" you might not at first consider as part of your studio. (One artist has a section of the studio designed as a gallery with lighting and cases; another artist has a wall covered in collectible movie photos; yet another has top notch stereo and a collection of classical CDs. These are all just as much a part of the business as torches, kilns, and bead trays.) Try to see the things that are so much a part of your environment that you don't "see" it any more.

Once you have all the figures, compare the cost of an annual premium against the risk of a loss or lawsuit. When you're planning for disaster--and that's what buying insurance comes down to--you want to broaden the coverage as much as possible, says Kath. Then talk to an agent.

The first place to start looking for business coverage is with the company that supplies your homeowner's insurance. Ask your agent if you can buy an "endorsement"

that will cover your business property and liability. (Don Kowalski, senior agent with Farmer's in Oregon explains that an endorsement is extra coverage for something not included in the standard home owner's policy.) While not all insurance companies offer such an endorsement--State Farm, for example, doesn't offer the service--others, such as Farmer's Insurance Group does. (We queried national companies based in Oregon about the availability of business insurance endorsements on homeowners' policies. Because available insurance coverage varies from state to state, even when offered by large national companies, always check with a local agent.)

If your homeowner's insurer is not able to cover your business, your options are not closed. There are companies, such as RLI (www.rlicorp.com), that offer business coverage to a wide variety of very small businesses, anyone "working out of a spare bedroom or the garage," says RLI Marketing Director Becky Lundberg. However, "the business must be based at home." (The small business coverage discussed here does not cover a second location rented for manufacturing or retailing, although RLI will cover a mall kiosk-type retail location. A detached garage does not count as a "second location," however, insurers require that the garage be within 100 feet of the primary residence.) RLI's liability coverage is well suited to businesses that distribute their product through house parties. If you accidentally break the glass front on your hostess's china cabinet or tear her sofa, you would be covered. RLI policies start with business and personal property limits of \$5000 and liability of \$300,000 for \$150 a month. (Business and personal property limits are capped at \$50,000.)

Because the coverage limits with RLI are relatively low, the policies are attractive to those who work with materials with low intrinsic value: silver, non-precious metals, glass, beads, and clay. Those who work with gold and or platinum and precious stones might look at Jewelers Mutual Insurance.

Jewelers Mutual is well known for the coverage they offer to mainstream retail jewelers. But they also offer policies for those whose demands are different from a full-service retailer. For single-proprietor bench jewelers or designers who have less than \$75,000 worth of inventory on hand, and who are not retailing from their site, Jewelers Mutual offers the Craftsman Protection Plan. (If you are doing repair work or your inventory has a value of up to \$250,000 wholesale, Jewelers Mutual has a policy that fits the niche between the Craftsman and their retailer coverage. Contact Jewelers Mutual for more information.)

In addition to knowing what kind of coverage you want, you'll have to be specific about what area of your home you want insured. Having a home-based business does not mean having your business all over your home. While you may blur the home/business line--stringing a necklace in the living room while watching a movie, or sketching a new design at the kitchen table at breakfast, for example--insurers who cover at-home businesses make a sharp distinction between the two.

"There's a distinction between what the home owner's policy carries on the home and what Jewelers Mutual would insure as the commercial entity and building," says Kath, So don't spread your work out between several areas--silversmithing in the garage, casting in the basement, beading in the spare bedroom. Keep it condensed. And use the area you insure exclusively for the transaction of your business, something you probably already do for tax purposes.

For many small jewelry-related businesses, retailing is done through galleries, home parties, and art or craft fairs. While even a homeowner's business endorsement won't cover these off-site venues, both RLI and Jewelers Mutual will. Their coverage can reimburse you for a loss--up to a pre-determined amount--if your equipment or jewelry is stolen from a car or hotel room while you are transporting your merchandise to shows or

galleries. (You will, of course, have to observe common sense security measures--locking the car, closing the trunk or hotel room door while unloading and loading, and avoid leaving the work in plain sight.) The frequency with which you take your inventory off-site and its value, will affect the amount and type of coverage you need. You may be able to arrange off-site coverage only as you need it, or, if you have regular shows that you attend, you can set up your policy to kick in automatically for those dates, says Kath. It's one less thing to worry about when you're caught up in the preparations for a show.

Jewelers Mutual is used to providing insurance for businesses that display their product at trade shows--such as the JCK show in Las Vegas or the American Craft Council shows. Art shows in a park venue (where many of them are held), says Kath, would have to be underwritten on an individual basis. Coverage would "depend on how the show is set up, what the value of the merchandise is that is taken there." Usually, he says, there is less value in the merchandise taken to such shows--commonly \$20,000 to \$30,000 in value--compared to the inventory you might take to a "more widely publicized and highly valued trade show." Thus they are probably not as big a target for criminals beyond shoplifters or opportunistic thefts.

If you do have a theft from your car, hotel or show, you'll have to file a police report. And file your claim as soon as possible, says SBSB's Busha. "Even if you don't have all the information at the time. You can always file the report and then fill in the blanks later. Not filing the claim immediately may ultimately mean that the loss will not be covered." Being covered also depends on your having an accurate inventory of the items BEFORE you leave for a show. If you always keep an up-to-date list of your inventory, you'll save yourself a lot of headaches--and the possibility that the claim will be denied--in case of a theft.

If you leave merchandise on memo or consignment at a gallery or jewelry store, be sure the pieces are covered by the store's insurance for the time the pieces will be there. It's a good idea to get evidence that the gallery is truly covered, too, suggests Kath.

Commercial Liability

When you mention liability, the word "lawsuit" comes to mind: Someone other than an employee thinks your business was at fault in their injury, and sues. There are two kinds of general liability coverage, says Kath. The first covers the premises and its operation. In a classic scenario, if a customer or delivery person is injured by slipping on a wet floor or tripping on torn carpet, you would be covered if they sued.

The second kind of general liability covers products and completed work: injuries that result from the work you have done on a piece of jewelry or from something in the jewelry that you sold. "It doesn't cover faulty workmanship," says Kath. (Nor will any company insure against you being sued by a client because you did not make a piece to their specifications. The only protection against this is a careful record of what you and the client discussed, drawings, and a procedure that requires the customer to sign off at each major step.) You would be covered, however, if a customer suffers chemical burns on her skin, the result of a lye solution seeping from her inadequately cleaned hollow bracelet.

When Disaster Calls

When disaster strikes your business, it is not only the physical loss of your property that cripples you, it is the loss of work as you struggle to get the business back up and running. One great advantage to business policies is loss of income and business interruption coverage. Business interruption insurance covers most continuing expenses that you are obligated to pay: advertising contracts, rent or mortgage, business utilities. Loss of income will cover the income you would have generated during the time your business was down. This coverage doesn't have a pre-set limit; it covers the actual

amount of the loss sustained. (Naturally you'll have to be able to prove your estimate of lost income, with accurate records of average sales and expenses for a parallel time period. The key to this is excellent record keeping.) Business interruption and lost income insurance will not cover you for time lost due to illness or injury. For that, you'll turn to disability insurance.

Am I eligible?

Eligibility for business insurance is based on the individual craftsperson and his or her experience. Even if you've been running your business part-time, says Kath, you should not hesitate to look for coverage. If you can demonstrate some kind of tenure in the business, and a commitment to continuing to grow the business, says Kath, "you are probably a good risk." Very small business people "can be very good customers for us," says Kath. "If we have a product to fit their needs when they start out, as they grow, we'll have a customer for life." The insurer will want to have a good idea of your sales before determining whether or not to underwrite the policy, so, again, the key is keeping good records.

When shopping for business insurance, you should be aware that, when you do declare the business to your homeowner's carrier, if the risk is not one they are willing to accept, the company may not renew your homeowner's policy. But whether you buy a business endorsement from your homeowner's insurer, or get a separate business policy from another carrier, one thing you don't want to do, says Farmer's Don Kowalski, is conceal the existence and presence of your home business from your agent. If you do, and later you suffer a loss to your house due to an accident in your studio, the insurance company can deny your claim for the damage to the rest of your home. "That's huge," says Kowalski. Agents who have been in business for a while, he says, develop a sixth sense about potential clients who are not giving them the whole story.

How Much Insurance Is Enough?

No two studios are alike, so no insurance professional can give a ballpark figure on how much insurance you should have. You'll have to take a close look at your shop, your business and then talk to a good agent.

But insurance isn't enough. To prevent losses, you need to use common sense. In addition, to having the right policies, says Kath, keep valuable data, records, and computer disks stored off premises, back up your records, and train your staff--even if it's your family--in security practices: Closing and locking doors, and setting the alarms at the very least. "That helps minimize the adverse impact of a loss," he says.

Prices quoted in this article are only estimates. The cost of covering your business will vary with your location and the amount of coverage you want. It will depend on the amount of your jewelry you have on hand, the value of customer's jewelry at your site, your findings, materials, fixtures, limits of the deductible, building coverage, and the area of the country in which you live.

Remember that even when you are dealing with a national company or organization, state regulations govern insurance. So not all the types of coverage we've discussed here will be offered in all states. Even if the same kind of coverage is available in several states, the rules governing it may be different. The only source of accurate information about what kind of business insurance is available to you is a local insurance agent. Any of the organizations given here can help you find a reliable agent in your area.

For more information about the companies and organizations mentioned here: see the RLI website at www.rlicorp.com or contact them at 800 331 4929; contact the Small Business Service Bureau, 554 Main Street, Worcester MA 01615, 800 343 0939, or see

their website at www.sbsb.com; for the Jeweler's Mutual's Craftsman Protection Policy, see their website at www.jewelersmutual.com or contact Jeweler's Mutual at for the name of an agent in your area. To read the Bocian article, go to www.craftemergency.org/issue7.htm#business.

IS EVERYTHING COVERED? REALLY?

In the months following a disaster, you are sure to continue to discover things missing that you didn't think of before, that you didn't think to include in your insurance coverage. The following checklist is provided by Jewelers Mutual Insurance Company. Use it to go through your business and determine what your real costs would be in the event of a disaster.

Office Equipment:

Telephone, answering machine, fax machine, calculators, file cabinets, staplers, tape dispensers, copier, camera, portable fans, date stamps, bookshelves, paper punch, pencil sharpener, paper cutter.

Stereo Equipment:

Tape deck, tuner/amplifier, speakers, tapes, CDs.

Security Equipment:

Safe or vault, TV video monitor, closed circuit cameras, VCR recorder, silent alarm buttons, burglar alarm system, recording tapes.

Gem lab instruments:

Microscope, loupe, spectroscope, long/short-wave light and stand, polariscope, refractometer, utility light, scale, camera, film, master stones, specific gravity liquids.

Computer:

Processor, keyboard and cover, monitor, printer and ink cartridges, tape backup and tapes, floppy disks, CDs, storage containers for floppies and CDs, surge protector, mouse and mouse pad, power pack, disks, printer stands, data switch, cabling.

Tools and Equipment:

Vacuum cleaner, brooms and dust pans, torches, magnifiers, soldering pads, engraving machine, polisher, towels, aprons, battery tester, metal tester, electronic scale, work benches, clock, beading needles, scissors, tweezers, exhaust system, cabinet. Ultrasonic, steamer, plating solutions, hot plate, metals (sheet, wire, casting grain), gemstones, rough, beads, glass rod, findings, draw plates, rolling mills, grinding belts, wheels and laps, faceting machine, saws and blades, files, hammers, pliers, screwdrivers, wax, wax pot, molds, molding compound, vulcanizer and frames, casting machines, shields, flasks, sprue bases, investment, masking tape, vacuum machines, buffing machine, buffs, brushes and compounds, tongs, burnishers, solder, gravers, chisels, files, craft knives and blades, motor tools, cables and handpieces, shelving, and the bucket or barrel of buffs and sweepings destined for the refiner.

Back Room:

Coffee maker, postal scale, refrigerator, microwave oven, toaster oven, wall clock, flatware and dishes, coffee cups, waste baskets, fans.

Office and Exhibit:

Desk, credenza, bookshelves, chairs and other furniture, books, waste basket. Display cases, lighting, cabinets, art, ring trays, boxes, bags, art work, signs, booth tent, cash register or box, plants.

Office Supplies:

Letterhead, envelopes, pre-printed forms, note pads, job envelopes, gift boxes, shipping boxes and envelopes, wrapping paper and bows, bags, tissue paper, thank you

cards and envelopes, plastic zip bags, Rolodex file, binders, gift certificates and envelopes, copy paper, hanging files, file folders, tags, post cards, pens, pencils, markers.

The key to getting reimbursement in the event of a loss, say all insurers, is good record keeping. Keep your merchandise inventory up to date. "You may have to update it once a month or before shows," says RLI Marketing Director Becky Lundberg. The same goes for your inventory of tools, equipment and supplies and materials. Keep a duplicate of it off the premises--in a safety deposit box, at a friend's house. (This is the same advice given for your electronic records such as bookkeeping disks and so on.) And document your assets with "photos, digital images and/or receipts" suggests Dorothy Bocian.

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Gem lab instruments:

Microscope, loupe, spectroscope, long/short-wave light and stand, polariscope, refractometer, utility light, scale, camera, film, master stones, specific gravity liquids.

Computer:

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