

## Risk Management for the Private Business Owner

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Most of the world has a relatively easy time managing the risks in life. Most people have a job, a home and a family, all of which bring risks to manage. Risk management for the private business owner is much more difficult. Not only do you have to manage the insurance coverage for your personal and business risk, but you also should have plans in place in case the worst should happen.

#### Plan for the worst

As the business owner, you need to work with your key employees to develop a list of the five to ten worst things that could happen to your business. Once this list is assembled you will want to call a meeting with your key managers, your liability insurance agent, your health insurance agent, your life and disability insurance agent, your attorney and your CPA.

The first step you will take is to review the list and see which of them would have the potential for putting you out of business. These are the risks you and the assembled team will want to concentrate on.

Many risks can be insured. For example, you can purchase insurance for personal injury in case the products you make injure someone. However, just having insurance coverage may not be enough. You will also want to have plans in place for how to protect the reputation of your company.

We've all heard about companies where someone is badly injured by a product or service the company provides. Often with smaller businesses this can mean the end of the business. The business may have had adequate insurance, but maybe they didn't have a plan to make sure the public knows the problem has been fixed. It's having this plan in place that can mean the difference between success and failure in a risk management plan.

#### Coordinate your personal and business risk

We often see that business owners have one agent for business insurance and another agent for personal insurance. There is nothing wrong with this as long as the coverage is coordinated between the two. Most business owners we know don't bother with this coordination if they use two agents.

One of the most important coverages you can purchase is an umbrella policy which typically has a limit of \$2,000,000 million or more over your basic policy coverage. Umbrella policies all have requirements of underlying coverage before they will kick in. You need to make sure that your underlying coverage for your personal and business life is adequate. The only way to do this is to coordinate coverage between the companies you use.

If you don't have one agency covering both your business and personal life, you will need to get in writing from both agents that they have reviewed your policies and believe that your coverage is adequate and complete.

#### Have ownership for the right policy in the right place

We often see life insurance inside the business that has been purchased to protect the



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We then work with you to select and implement strategies that will help you move toward your goals.

owner's family should they die. In our view, this is a mistake. If the owner dies, the bank will have first claim on the insurance proceeds, not the owner's family as they intended.

A sad fact about private business is that most businesses will not exist if the owner is not available for coordinating day to day operations of that business. A way to protect your personal risk is to make sure that insurance is owned and placed in the right place to have the correct effect.

We suggest that you schedule a risk audit with a Stage 2 Associate. We will work with you to help you understand the various risks you face and work with you to develop a plan that stays within your goals.

With warm regards,

## **Stage 2 Planning Partners**

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