

In case of emergency

When you don't need insurance, it's an expense. When you need it—but don't have it—it's priceless

By Chris Lambie

Bill Abbott was at a buying show in Ontario this past spring when the pager on his phone went off. Besides being the owner of Abbott and Haliburton Home Building Centre in Port au Port, Newfoundland and Labrador, Abbott is the chief of the local volunteer fire department.

"I was hoping it was a false alarm," he says recalling that Monday in early April. That's because the address of the fire was also the location of the 12,000-square-foot, three-storey wooden building his great grandfather built in 1951 to house the family hardware business that had been founded in 1885.

When the key holder informed him over the phone that place was full of black smoke, Abbott knew it was no false alarm. His 132-year-old family business was going up in flames.

"Once the windows broke out and the air started to get in, it didn't take long for the building to be leveled," Abbott says. "The wood was good and dry. Put on top of that all the

accelerants that you would normally find in a hardware store and it didn't take long to burn."

Abbott hopped on a plane for home and went to work immediately trying to keep the business afloat. "The fire was still smouldering Tuesday morning and I ran a delivery on Thursday," he says. Abbott still had a warehouse across the road. And he'd upgraded the company's insurance.

"I think I had the right coverage," he says. "There are still some unknowns there and we'll see how that plays out as I rebuild. But they've been excellent to deal with."

He bought into the Home Hardware chain about four years back and with that move came an insurance policy covering business

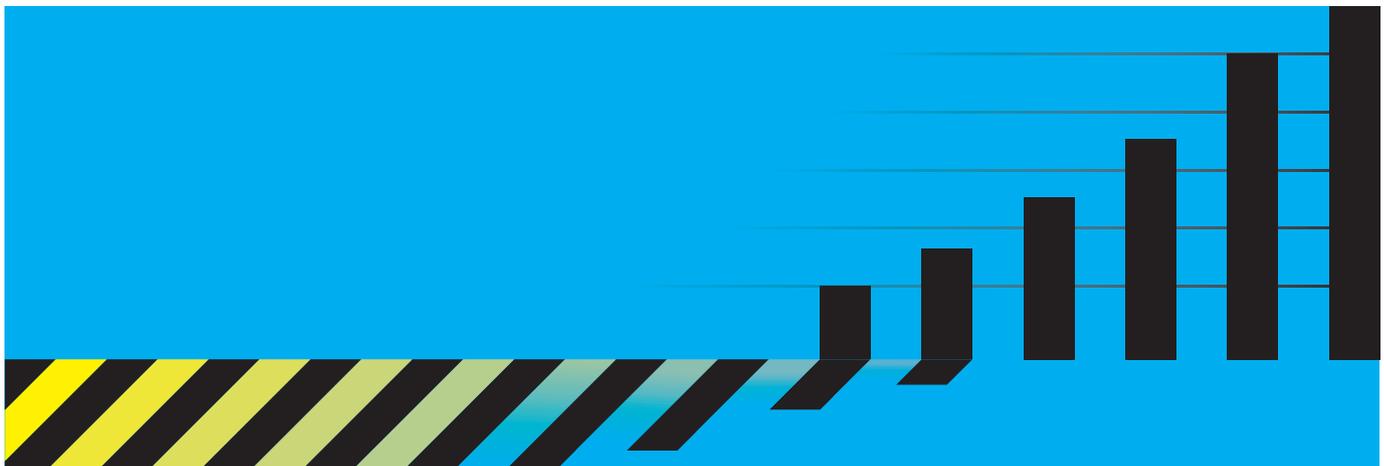
interruptions.

"Insurance is expensive and you may pay for it forever, but when all of a sudden you end up with business interruption, your bills don't stop needing to be paid and the money's got to come from somewhere."

Before moving to the new policy, Abbott didn't have business interruption insurance. "That alone would have maybe broken me. I don't know if I would have recovered from it."

He has some sage advice for anyone who runs a small business: "Make sure you have records offsite. We had computer backups. We pulled an external hard drive off of our server every day and put it in the safe thinking we were covered. But the information on that hard drive—we got the essentials, we got our accounts receivable and we got some customer files and stuff like that—but the heat in the safe actually corrupted a lot of the information on the hard drive that I would love to have right now, I'll be honest."

He hopes to have the burned



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building replaced by the time the one-year anniversary of the fire rolls around. "My insurance company's been awesome so far. I think they'll certainly do what needs to be done."

It's important that small business owners give their insurance broker every detail of their operation, says Amanda Dean, vice-president Atlantic with the Insurance Bureau of Canada. "They can advise how to be best prepared for the particular risks that you might face," Dean says. "Even if you did that initially when you took out the policy five years ago, when your renewal comes up call your insurance representative and have another discussion."

That's especially true if anything changes within the business, she says. "You could have more people coming into your business, which might increase your potential liability if someone were to slip and fall."

Every commercial policy can be tailored to the business it is meant to cover, Dean says. "A number of pieces that are quite common in business policies include accounts receivable coverage, business



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Amanda Dean, vice-president Atlantic, Insurance Bureau of Canada

income, business interruption, which is important because if you have that fire or something prevents you from operating your business on a daily routine, that coverage kicks in."

Commercial automobile insurance is also important, she says, especially if you have a service component to your business. "Whether you are driving out to fix computers or you're a small plumbing operation ... those vehicles are being used differently than if you or I were just driving as private citizens."

There's insurance to cover crime and directors and officers liability,

Dean says. "Even if you have a home business," she said, "you may not think there are risks associated with that, but there are increased risks. You may have couriers coming and going from your property more than a private citizen would. That increases the likelihood or the potential liability of a slip and fall."

It's also a good idea to make a video of your business and inventory to prove what was there in case something goes wrong, says Brenda Lutz, who practices insurance law in Saint John and teaches a course in the subject at the University of New Brunswick.



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Brenda Lutz, Q.C., litigation specialist
Canty Lutz Delaquis Grant

“Because you can’t remember afterwards,” Lutz says. “Following a loss, an insurer has every right to ask for verification.”

When making a claim, it’s extremely important to tell the truth because if the insurer can establish that a small business owner embellished what was lost, the entire claim can be nullified, she says. “In other words, it’s a dishonest act and you get no claim at all. Honesty is so, so important in insurance law.”

The same thing goes for the initial application form, Lutz says. “Or you may run into troubles after a loss because they can argue material change in risk.”

Small business owners should insist on getting a copy of their policy and read it thoroughly, she says. “That’s the only way you’re going to know what kind of coverage is excluded. Then if you have questions you can meet with an insurance lawyer and review it.”

If a small business owner was given a copy of the policy, but didn’t know a particular exclusion was in there, that’s no excuse in court, Lutz says. “Tough luck; buyer beware. You should have read it. They expect you to read a contract.” •

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