



Risk Management

WHAT IS RISK MANAGEMENT?

WHAT IS INSURANCE?

What if I don't want to buy insurance?

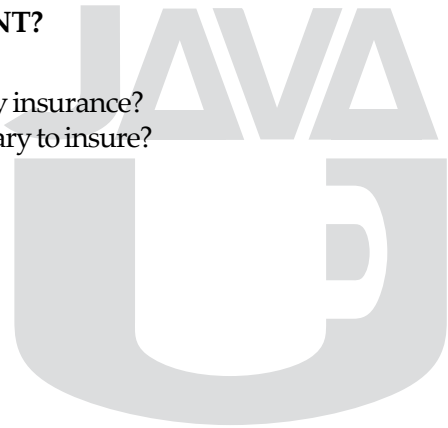
What is absolutely necessary to insure?

How much do I need?

TYPES OF INSURANCE

Commercial insurance

Life insurance



What Is Risk Management?

Risk management is the process of identifying potential losses in your area of business and choosing the most effective solutions to manage these problems. Risk management is covering your butt. Some risks specific to the espresso industry include suits involving food poisoning or bodily injury and employee dishonesty (baristas with their hand in the till). There are many ways to deal with these and other risks.

- Accept them and the consequences; do nothing in advance.
- Take steps to reduce the possibility. Train employees in proper lifting techniques and keeping your sidewalk area free of obstacles or slippery substances.
- Insure against the risks.

Be sure to take time to identify your possible risks. Although accepting risk or trying to protect against it are possible solutions, the most effective way to deal with risk is to insure against it.

(Note: it is not possible to insure against *all* risks.)

What Is Insurance?

Insurance is the transfer of risk from a business owner (you) to a second party in the event of unforeseen peril or loss. Some of the things you may choose to insure against are fire, earthquake, storm damage, injury, illness, death, and liability, if someone else is injured on your premises. Insurance is the most common way to deal with risk management in business.

Property and casualty insurances are designed to protect and defend small businesses against unforeseen disasters and losses, allowing you to continue business, when it otherwise would not be possible.

What if I don't want to buy insurance?

The first possibility is that, without insurance, you may not be able to open your business. Since banks often require insurance to cover their interests, a lack of insurance may prevent you from receiving the loan you need to open your doors. Insurance can protect your business from losses due to fire, theft, lawsuits, disabilities, and death. If not, any of these things could instantly throw you or your business into bankruptcy.

What is absolutely necessary to insure?

This will depend on you and the amount of risk you are willing to shoulder. Minimum coverage should include: property, casualty, and worker's compensation. It should be noted that in many states, including Washington, worker's compensation is required by law. So, what do you really need? Enough to cover you in the event a customer falls and injures himself or herself at your place of business, or to cover most acts of God (flood, fire, lightning, windstorm, hurricanes, etc.). You may want to check into "inland

marine" insurance to cover property that is mobile, such as a cart. Property insurance only covers contents at a permanent location.

How much do I need?

How much insurance you need can only be decided by you and your agent. They should have checklist systems to assist you in your decision making.

Types of Insurance

Commercial insurance

- **Property insurance:** Covers loss on property — inventory, equipment, and building, and can include loss of business and/or future business due to unforeseen peril. There are also fidelity and surety policies available that will protect you against crime losses (i.e., dishonesty and fraud).
- **Casualty insurance:** Protects business or business person from liabilities, including the event of bodily injury to customers, employees, or others on business premises. Casualty insurance includes worker's compensation and usually provides legal representation in liability lawsuits.

Life insurance

- **Life insurance:** Life insurance can be used as loan protection, key-person protection, and business continuation protection, all of which enable your business to continue after your or your partners' demise.
- **Disability insurance:** This insurance protects the business owner in the case of illness or injury. Three ways to protect your investment are income replacement, business overhead expense, and disability buyout protection.
- **Group insurance:** Group insurance is an excellent way to provide employee benefits at effective costs, including medical, dental, vision, life, disability, and pensions. There are no requirements for businesses with fewer than 15 employees to provide any group insurance at this printing.

