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### What if...

- A lightning strike or electrical fire burned your studio to the ground one night, or
- Heavy winds caused a tree to fall on your studio, destroying expensive tools and work in progress, or
- Your art show display collapsed, destroying the work in a neighboring booth or severely injuring a child?

Are you willing to gamble your assets, your financial future, and your ability to pursue a career as an artist by betting that nothing like this will happen to you?

Business insurance is a tool you can use to transfer unacceptable risks to an insurance company.

### Did You Know?

- Homeowners or renters insurance usually excludes most business property and all liability related to business activities, unless you have specifically purchased a home business endorsement (rider).
- Homeowners insurance excludes buildings on your property if they are used for business purposes.
- For insurance purposes, you are in business if you offer goods or services for sale.
- Homeowners, renters, AND business insurance policies exclude losses from floods and earthquakes.
**Risk Management**

Risk management is critical to running your business safely and responsibly. It involves lessening your exposure to risk by

✔ Employing safety precautions particular to your business
✔ Protecting against catastrophic and unanticipated losses through adequate insurance coverage

Managing risks means being proactive about the future of your career by protecting not only your studio and materials, but also your ability to earn an income. A good risk management plan includes taking all reasonable steps to reduce the potential loss from these risks, whether at your studio, in transit, or on location:

- Bodily injury (yourself, employees, customers, and others)
- Property (structure, inventory, tools, supplies, records, etc) loss from fire or natural disaster
- Theft
- Property of others in your care
- Pollution or other hazards that may be a consequence of materials or processes specific to your medium

**To Do — IDENTIFY RISKS**

Make a list of risks, whether or not they are insurable, from most serious to least. Try to make this list pretty comprehensive and include things like data loss as well as natural disasters, fires from various causes, theft, trees, etc. Add steps you can take, including insurance, to protect yourself from each risk.

**To Do — STUDIO INVENTORY**

A vital precautionary step to take for your risk management plan is to have an up-to-date inventory of your assets, and to have a copy stored in a safe off-site location (and/or in an internet “cloud” backup). Document your tools, equipment, finished works, and other assets with photos and store with your inventory records. This inventory will help you determine how much property you have at risk that needs to be insured. If you do experience a property loss, these records will be invaluable in establishing values for an insurance claim or for disaster assistance.

**TIP — The Studio Protector Online Guide:**

[www.studioprotector.org](http://www.studioprotector.org) has information to help you take steps to protect your “A’s”—your art, your assets, and your archives, and to help you take effective steps to recover should an emergency happen.
Liability — Avoiding a High-Stakes Bet

Even if you are very careful, unforeseen things can happen that result in bodily injury or property damage to others. While the chances of such an occurrence may be relatively low, the consequences can be catastrophic to you, your family, and your career. Consider these scenarios:

⚠ Someone slips and falls at your studio during a holiday studio tour, and their insurance company sues you to recover medical costs. Your homeowners insurance company refuses the claim because the tour was a business-related activity.

⚠ Your art show booth gets blown or knocked over, destroying $50,000 worth of blown glass in your neighbor’s booth, or worse, injures a child. The injured party contends that you are at fault because your booth was not adequately secured.

⚠ Someone is injured by your work and their health insurance company sues you to recover $150,000 in medical payments, the injured person sues for pain and suffering, or both.

Artists who would never consider driving a car without liability insurance too often operate their businesses without this vital coverage. Many artists mistakenly believe that their homeowners insurance will cover them in some of these instances. Going without liability insurance for your business is truly a high-stakes gamble.

Because risk exposure for liability is calculated by annual gross business receipts, most artists will find liability insurance to be surprisingly affordable.

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Liability — Things Worth Considering:

- Homeowners and renters insurance generally exclude liability arising from business-related activities.
- Your landlord’s insurance covers him, not you for liability and property loss.
- Even if you are found not at fault, a liability law suit could cost you thousands of dollars in legal fees to defend. Liability insurance generally covers legal costs to defend such suits.
- Liability judgments are not dismissed by bankruptcy and will follow you until settled.
- For product liability, the policy that is in force when a loss occurs pays the costs — so you need to maintain your liability insurance.
- Show promoters’ insurance policies generally do not cover exhibitors, and many show contracts require you to assume liability for your own display and actions at a show.
- Increasingly, shows and public arts commissions require proof of liability insurance in the range of $500,000 to $2 million. While that sounds like a wide range, there may be only a modest difference in premiums to purchase coverage with higher limits. Insurance companies routinely provide proof of insurance when it is required as a service to their clients.
Types of Business Insurance Coverage

BUSINESS PROPERTY

- **Property (Building)** — Covers the physical structure of your studio. If your studio is in a building on the same property as your home, do not assume that your homeowners insurance covers it!

- **Business Personal Property** — Covers the contents of your studio such as tools, equipment, raw materials, work in progress, finished products, etc.

- **Inland Marine** — Covers your work and other property in transit or away from the studio, such as when teaching, doing an installation, or at an arts festival.

- **Personal Property of Others** — If you do repair or conservation work you need insurance for work in your care, however it does not cover damage you may cause in the course of working on the object.

### Does not cover:

- **Flood Damage** — Damage from “rising water” requires special flood insurance to be covered.

- **Earthquake Damage** — Damage from earthquakes or other kinds of earth movement requires earthquake insurance to be covered.

**TIP** — Property may be insured for either *Replacement Cost* or *Actual Cash Value* (replacement cost minus depreciation). *Replacement Cost* is usually the better choice, but costs more.

**TIP** — If your studio is in the home and business volume small, you may be able to get a business property and liability endorsement added to your homeowners insurance.

### Types of Business Insurance Coverage

LIABILITY

- **General Liability** — Liability insurance protects you if someone is injured while on your property or if your property causes damage to others. Liability insurance stays with you when you are at a location other than your studio.

- **Product and Operations Liability** — Covers you in the event someone is injured by a product or while you are performing your work somewhere.

- **Errors and Omissions** — If you write or teach you may be interested in this coverage in case someone is injured from following your advice or because of an instruction you omitted.

- **Umbrella** — Protects beyond liability coverage, kicks in when all other liability coverage is exhausted, usually in increments of $1 million.

### Does not cover:

- **Losses to your own property**

- **Losses to property of others in your care**

**TIP** — A general business liability insurance policy follows you where you go, so you are covered whether in the studio or at a show.

**TIP** — Product liability: you are covered by the policy in force when a loss occurs not by the policy you had when an object was made.
OTHER COVERAGE

Keep in mind that basic business insurance policies cover risks to property like fire, lightning, explosion, windstorm or hail, smoke, riot, theft, water damage, vandalism, weight of snow, and so on. It may be called “all-risk” coverage, but will most likely have exclusions. **Flood and earthquake are generally not covered** in a standard insurance package so it is important to evaluate your risks for these. Understand what the exclusions in your policy are. Also know the amount or limit of coverage and make sure you get as much protection as you need.

- **Flood Insurance** — Almost all business (and homeowners) insurance policies exclude damage from “rising water” or floods. Flood insurance policies are available through the National Flood Insurance Program, and your agent may be able to obtain a policy for you. You can evaluate your flood risk and get an estimate of the cost of flood insurance at [www.floodsmart.gov](http://www.floodsmart.gov). You do not have to be in a designated flood zone to flood or own your building to purchase flood insurance.

- **Earthquake Insurance** — Most policies exclude damage from “earth movement” including earthquakes. Evaluate your risk and look into the costs of insuring for this hazard. Remember that California is not the only state that is subject to damaging earthquakes.

- **Business Interruption** — Covers the loss of business income incurred during the period of time your studio is closed due to a covered loss.

- **Extended Business Income** — Extends payment for losses of business income beyond Business Interruption coverage time limits.

- **Extra Expense** — Pays for re-location of your studio, if necessary, due to a significant loss.

- **Employee Dishonesty** — Covers losses due to dishonest acts of employees.

- **Workers Compensation** — Covers medical costs and lost wages for a worker that is injured on the job. Some states require all businesses with employees to have this coverage, and some allow exemptions for businesses with few employees. However, if you do not have coverage you are personally liable for these costs, which may be long term if a worker is disabled.

- **Commercial Auto Coverage** — If you have vehicles that you use in your business, even if they are also your personal vehicles, they should be insured for business use. In most cases, personal auto insurance will not cover a loss when the vehicle was being used for business purposes. If you have employees and they use their own vehicles for tasks connected to your business, you also need coverage for “non-owned” vehicles. If they have an accident while doing work for you, their insurance may not pay and you could be held liable for damages.

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**What’s a BOP?**

A BOP or Business Owners Policy is an insurance package for small businesses combines the most common property insurance coverage and commercial general liability. This can be an economical way for a small business to insure and for many artists the cost may be little more than the cost of a liability policy alone. Generally, the same exclusions for flood and earthquake apply.
**STEPS IN GETTING COVERAGE**

✔ **Prepare a Business “Commentary”**

To help your insurance agent understand your business, prepare a one to two page description of your background; experience; and size and scope of operations. Be honest and straightforward about your business. The agent will use this information to weed out underwriters who have little interest in your type of business.

✔ **Find an Insurance Representative**

Shop around. Look for agencies that specialize in “commercial lines.” Just because an agency sells auto or life insurance does not mean that they are experienced in business insurance or even sell it. Ask friends and/or colleagues whom they use. Make sure to choose a representative you feel comfortable working with, someone who is communicative and responsive to your needs. You may decide to work with an agent who represents a specific company or companies, or go with a broker who independently and directly represents you to the marketplace. Brokers may offer a broader range of coverage options because they represent you and not the insurance company, but either choice is fine. Just be sure your representative understands your insurance needs and helps you to design a package that provides the coverage appropriate to your situation. It’s okay to be wary of insurance salespeople. A healthy dose of skepticism means you’ll use good judgment when making your decision about who to work with and what coverage you’re going to choose. A listing of business insurance plans designed for artists is available at [www.studioprovider.org](http://www.studioprovider.org).

✔ **Get Several Quotes**

Armed with relevant knowledge of your business from your Business Commentary and knowledge of the insurance industry, your agent will organize specifications for quotation and identify desired options. These specifications are transcribed into insurance policy applications.

Many independent brokers will be able to offer quotes by competing insurance companies. In some cases a group plan offered by an organization to which you belong — or a policy designed specifically for artists — may offer a better price and set of options, but may not have the advantage of having a local agent.

✔ **Weigh the Merits of Quotes Gathered**

Ideally, your agent will list each suggested coverage, including its particular cost, in order of the catastrophic potential that risk represents to the business. This way, you can make educated decisions about adding to or cutting back on coverage to achieve the best cost/benefit balance. If you feel the quote is too high for your budget, ask what options you could change to reach a price you can live with.

✔ **Ask Questions**

Ask about what is covered, and even more importantly, what is not covered. If you are not satisfied with the quality of the answers or do not feel that the agent is being responsive, keep shopping and find a company you trust. When you get your policy, read it, and again, ask for clarification of anything you do not understand.
Things to Watch Out For:

- **Proper protection** — Don’t be uninsured. If you can’t afford complete coverage, purchasing some insurance is better than having none. Avoid unnecessary coverage.

- **Gaps in coverage** — Make sure you understand the scope of your coverage. If there are known gaps due to cost, understand what they are and make an alternate plan.

- **High deductibles/low deductibles** — Insurance companies offer lower premiums for policies with higher deductibles (the amount you pay before insurance kicks in). They are understandably wary of customers who make many small claims. Weigh the value of lower premiums with your tolerance for a loss. Ask your agent for quotes with different deductible levels. A deductible of $500 – $2,500 is pretty standard, with deductibles at the higher end of the range as the amount of property coverage increases.

- **Exclusions** — *The policy giveth and the exclusions taketh away.* Read the policy, know what the exclusions are, and don’t be afraid to ask questions!

- **Stability of the insurance carrier** — It’s a good idea to check the financial stability of the insurance underwriter before signing up for the policy. A.M. Best provides free basic rating reports on insurance companies.

- **Claims** — Ask your insurance representative if any claims have been made on the type of insurance they’re offering and what turn-around time you would expect in the event of a claim. If no claims have been made or you feel service is unreasonable, choose a different company with which to work.

It is All Part of the Cost of Doing Business

Remind yourself that having good insurance coverage is one of the costs of doing business and part of your responsibility to yourself, your career, and others who depend on you. The rates for coverage will vary depending on where you live, construction of your building (and whether you are insuring a building), coverage levels, and insurance company. Based on what we know about the size of artist-owned businesses, most artists should be able to purchase a basic business owners policy for around $500 if they do not have a building to insure. Of course, every business is unique and yours may require special coverage, which can raise the overall cost.

Resources

CERF+ maintains an up-to-date listing of insurance resources and a listing of policies designed for artists at [www.studioprotector.org](http://www.studioprotector.org). There you will also find more information on insurance topics, emergency preparedness, and recovery. In addition to providing emergency resources to artists, CERF+ provides direct assistance to craft artists who have suffered career-threatening emergencies. For more information visit [www.crafteremergency.org](http://www.crafteremergency.org).

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CERF+ is a national artists’ service organization whose mission is to safeguard and sustain the careers of craft artists and provide emergency resources that benefit all artists.

www.crafteemergency.org
www.studioprotector.org

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