

RISKY BUSINESS

Insurance Info & Risk Management Tips

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“The greatest thing in this world is not so much where we stand as in what direction we are moving.” – Johann Wolfgang von Goethe, writer/statesman



As businesses grow and evolve, many things happen at once and often, things happen so quickly it is hard to really appreciate how exciting business ownership can be. One moment you are at your living room table, crafting out your new business plan, borrowing money to fund it, hiring marketing people to brand it and the next moment you have 5 employees working around your dining room table wondering if you will be providing dinner! That may sound extreme, but it happens more than you think and for good reason.

Business growth is multi-faceted and includes internal growth and external growth. External growth, i.e., physically committing to a larger space, can be daunting and confusing. It requires meeting with seasoned commercial real estate leasing agents and looking over long-form legal agreements that can read like a foreign language and feel overwhelming to a new entrepreneur.

Tenant Leases are a part of growing your business and navigating through them just requires a few tips. Here are a few tips to help you navigate through this process:

- The Lease will likely offer a significant discount for a longer lease term. Be careful with this and look this over closely. If you need to break the lease term early, make sure you understand the ramifications. If you had to leave early, could you sub-lease to another party? Are there fees associated with early termination? Would you be on the hook for the entire length of the lease

regardless of your reason? This is extremely important to know before signing a lengthy lease.

- The Lease will likely require you to provide insurance for the premise. The insurance requirements can vary in coverage, limits and endorsements depending on the landlord requirements and this should be provided to you *before* you sign the lease. Sometimes, they will require something your policy does not already cover, and you will need to pay more premium to comply with their requirements. Tenant Insurance is simply an insurance policy for your business that includes coverage for the leased space. It can be written as a premise only policy which would cover the space leased or it can be written as a business owners policy (BOP) which would cover the premise and also your business property such as your computers, equipment, furniture, and other business owner coverages that might be applicable to your operations. Send the requirements over to your Insurance Broker and have a conversation about the required coverage and your exposures.

- Before leasing a space, make sure the Landlord is up to code on their building requirements such as fire sprinklers, smoke alarms, theft alarm systems (if they have them), ADA ramps and accommodations, etc. Their lack of attention to compliance can cause problems in your obtaining proper insurance coverage, a higher premium, or sometimes the carrier declining to cover the space entirely.

- Depending on the market and how many available properties to lease are available in your area, you should be able to negotiate some tenant improvements before you move in that the landlord would cover. Do some research and make sure you check alternate properties in your area for comparison.

- Always keep records of your signed lease and conversations with your real estate agent.

Business growth is a wonderful feeling, but it can cause some stress and having a few people on your side to assist with this helps. Reach out to your business insurance broker, your legal advisor, and a commercial real estate advisor to assist you.

Please reach out to me at:

www.hlinwood-insurance.com with any business insurance or risk management questions.