

# New Firm Owner Checklist

## What You Need to Know

**Check this list to consider vital insurance coverage and other important products needed to help make you & your new firm successful!**

### For Every New Firm Owner Starting Out:

- ☐ **Professional Liability Insurance** (aka errors-and-omissions or E&O insurance) defends and pays on behalf of the architect for claims alleging negligence in the performance of professional duties. Even with professional liability coverage, a firm continues to retain some risk such as deductibles, costs exceeding policy limits, or costs for claims excluded from the scope of coverage. Principal reasons to consider professional liability insurance are: business survival, continuing operations, contract requirements, and social responsibility. [Click here for more details about professional liability insurance.](#)
- ☐ **Business Owners Policy Packages (BOPs)** combines protection from all major property and casualty risks in one “package” and can include property, business interruption/extra expense, automobile, and general liability insurance (not professional liability, workers’ compensation, or health/disability insurance). [Click here to read more about BOPs.](#) Other methods of providing the necessary protection include:
  - ☐ **Commercial General Liability Insurance** covers liability from *incidents* that occur on or off the policyholder's premises and the three basic coverage areas of this type of policy are property damage, bodily injury and personal and advertising injury (such as libel, slander, or copyright infringement); also included are premises and completed operations liability, medical payments and contractual liability.
  - ☐ **Commercial Property Insurance** protects against loss of or damage to essential pieces of the business such as documents and equipment.
- ☐ **Umbrella or Excess liability policies** for both a corporate and individual level, provide higher limits in conjunction with underlying general liability, automobile, and employer’s liability policies, usually in multiples of \$1MM; however, they generally do not apply excess of a professional liability policy.
- ☐ **Home-Based Business Insurance** for those operating out of a home office. An endorsement would be required to a Homeowners policy which normally excludes business property or liability claims arising out of business pursuits.
- ☐ **Commercial Auto Coverage** protects against accidents while vehicles are operated within the scope of employment whether a personally-owned vehicle, a firm-owned auto or employees using their own vehicles. Auto liability limits should not be overlooked and umbrella liability should be purchased in excess of the primary auto limits.
- ☐ **ACORD Certificate of Insurance** summarizes essential information about your insurance policy, such as coverage types, policy numbers, insurance limits, and effective and expiration dates – and is especially important for clients as well as for other business interactions to ensure coverage. [Click here for more information.](#)

☐ **Business Interruption/Extra Expense Insurance** reimburses for additional fixed expenses and loss of profits in the event of fire or other covered perils, such as computer crashes which interrupt normal business operations.

☐ **Cyber Liability Insurance**, also known as cyber, privacy breach and network security insurance, covers a business' liability for a data breach in which customer data is exposed or stolen by a hacker who has gained access to the firm's electronic network. Policies cover a variety of expenses associated with data breaches, including: notification costs, credit monitoring, costs to defend claims, fines and penalties, and loss resulting from identity theft. [Click here for more details about cyber liability insurance.](#)

☐ **Design Professional's Property Insurance** for an owned office building or the leasehold improvements in leased locations using an all-physical-loss form. This coverage can also be provided as part of a Business Owners Package policy or Commercial Property Insurance as described above.

☐ **Flood Insurance** needs may impact offices, homes, and client properties. The federal government offers flood insurance through the [National Flood Insurance Program](#) (NFIP) run by the Federal Emergency Management Agency (FEMA) and policies may be sold through private insurance agents. Depending on your location, flood insurance may be required by the government and/or your mortgage lender. [Click here for more details about flood insurance.](#)

☐ **Retirement Plans** are vital for your future; options are now available for sole practitioners, such as an Owners 401(k) which combines the benefits of profit-sharing and 401(k) plans without costly set-up charges, enabling you to defer more than other types of plans. [Click here for more details about retirement plans.](#)

## When You Have Partners & Employees

☐ **Employers' Liability Insurance** protects against claims brought by employees that are *not* covered by workers' compensation. The coverage is written as part of a Workers Compensation policy and is used for infrequent bodily injury claims by employees when such claims fall outside Workers Compensation.

☐ **Employment Practices Liability** (EPLI) covers non-bodily injury claims like discrimination, sexual harassment, wrongful termination, etc. It is generally written on a claims-made basis with an overall aggregate limit and is a separate policy from Employers' Liability.

☐ **Fidelity Bonds** cover all employees involved with custody, disbursement, or management of funds, payments, purchasing, etc. and can cover and include ERISA bonds.

☐ **Directors and Officers Liability Insurance** coverage provides protection for leaders of a firm established as a corporation against claims alleging breach of duty, negligence, error, or misrepresentation.

☐ **HR Management** via a Professional Employer Organization (PEO) can help manage critical HR administration and regulatory issues and the employee life-cycle including payroll, benefits administration, human resources tasks such as hiring and training, policies & procedures, workers' compensation, compliance, and 401K administration. [Click here for more information about PEOs.](#)

☐ **Workers' Compensation Insurance** is required by law to protect for work-related injuries including medical expenses, lost wages, and death benefits regardless of employer or employee negligence.

☐ **Unemployment Insurance Tax** is required under certain conditions and if taxes are required, you must register your business with your state's workforce agency.

☐ **Key Person Life Insurance** is vital for small professional practices that may cease to exist once the proprietor dies. A life insurance policy can serve as a business continuation policy to protect a firm's future as an asset, naming each business partner as a beneficiary on the other's policy so the life insurance payout can buy out the deceased partner's heirs, pay off outstanding loans or other obligations, or continue operations until a replacement is hired and trained. [Click here for details about Key Person coverage.](#)

## When You Have Employee Benefits

☐ **Fiduciary Liability Insurance** provides protection for fiduciaries against liabilities that arise from their administration and oversight of employee benefit or pension plan since ERISA, a federal law sets minimum standards for pension plans or 401(k) plans in private industry and requires accountability of plan fiduciaries who exercise discretionary authority or control over plan management or assets

☐ **Health Insurance:** The Patient Protection and Affordable Care Act (also known as the ACA) passed in 2010 is complex and requirements are changing. [Click here for resources about ACA issues and requirements.](#) In addition to medical coverage, dental & vision coverage should be considered.

In addition, flexible healthcare spending accounts(FSA) may be established to allow participants to make pre-tax contributions to be reimbursed for out-of-pocket health care costs. A similar dependent care spending account may also be offered for employees to pay for work-related child care expenses with pre-tax dollars.

☐ **Life Insurance** coverage may be offered as an employee benefit to protect employees' beneficiaries. Group term life insurance is commonly provided to all employees as a fixed-dollar amount per employee or as a multiple of salary and often includes AD&D, which can also be purchased separately. Consider Key Person life insurance coverage for partners and key employees.

☐ **Disability Insurance** helps cover expenses when a disabling injury or illness prevents one from working.

- **Long-Term Disability** provides benefits for an extended time until recovery or reaching age 65. It can be an important part of an employee benefits package and may help to recruit and retain valuable employees.
- **Business Overhead Expense (BOE)** is similar to long-term disability insurance except it protects business-related expenses in the event of total disability of a business owner for 1-2 years to allow a disabled owner to maintain business viability and avoid a "forced-sale" of the business. [Click here for details about BOE and Disability insurance.](#)
- **Short-Term Disability Insurance** coverage protects against absence from work of short duration, typically three to six months and may be separate or an add-on to long term disability coverage and may include maternity leave.

☐ **Retirement Plans** take on added significance with increased life expectancy and have many different variations available such as plans for sole practitioners, employee groups, profit-sharing – along with options for various employee/employer contributions. Retirement planning is extremely important to consider for yourself and as an employee benefit. [Click here for more details about retirement plans.](#) [For financial and retirement planning tools, click here.](#)

☐ **Supplemental Executive Benefits** may not be offered to all employees but newer firms may consider adding them as they grow. In addition to above named benefits, they include personal coverage for long term care, Medicare supplement, hospital indemnity, identity theft protection, and trip and travel insurance.