

Who's Completing Your Business Insurance Application?

5 Common Mistakes to Avoid



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As a business owner, your assets, your property, and your employees' health and well-being are only a few of your many responsibilities—and the insurance application process to cover all of this can be daunting. It's easy to pass this task along to someone else in the office to complete, or to accept whatever is marked on the application from last year when your agent sends it to you at renewal time.

You may not think an error on your application is a big deal, but the consequences can be very costly. Providing inaccurate information on your application can lead to increased premiums, policy cancellations, or insufficient coverage in the event of a claim. It's crucial to make it a top priority to complete your application accurately and have it signed off on by the appropriate person.

5 Common Mistakes to Avoid

You've worked hard to build your dream business. Make sure you're aware of who's completing your business insurance application. Do they understand the application and are they answering it correctly? Any misrepresentation on the application can void the terms of the contract, meaning the policy might not respond to an otherwise covered circumstance.

Below are five common mistakes to avoid when it comes to completing your business insurance application.

Mistake 1: Background Checks

It's easy to check "yes" on your application, stating that you are conducting background checks on your employees. However, if you are not conducting background checks on all of them, (even if you are for most, but missed an employee or two) and an employee is accused of stealing from your business or a client, the coverage you might have for theft may not respond, and you'll be left to cover the damages.

Mistake 2: Motor Vehicle Reports (And Other Auto Insurance Application Faux Pas)

If you state on your application that you are running Motor Vehicle Reports (MVRs) for your employees and you are not, this would give the insurance carrier a valid reason to decline the coverage if your employee is in an accident while driving for your company.

Similarly, if you forget to note all drivers in your application, or if you give a false vehicle location, this can impact the accuracy of your quotes (you may be paying more than you need to!) and could result in a lack of coverage. It's also important to disclose all business uses of company vehicles, and report all past driving infractions. Honesty is always the best policy.

Mistake 3: Reporting Revenue and Payroll

It's important to review revenue and payroll information for accuracy every year on your insurance application. It's unlikely your revenues or payroll stayed exactly the same, and whether more or less than previous years, it's vital to report each accurately to ensure you have adequate coverage in place and avoid unnecessary audits.

For example, if your application states your business has \$500,000 in revenue, however your revenue is actually closer to \$1,000,000, when you have a claim, the carrier retains the right to audit your books and increase your premium to more accurately reflect your exposure. The same can be said for reporting your payroll information. To avoid complications, it's always best to double check these areas and ensure they're accurately recorded on your applications year-over-year.

Mistake 4: Location Changes

Notifying your insurance provider immediately of any location changes, big or small, is vital. Whether you've bought or sold a location, moved locations, taken on a new lease, or are renovating an existing location, your insurance policies need to be updated to reflect this.

Imagine you'd just bought a new location. You're in the process of setting it up when a fire causes extensive damage to the property. You forgot to tell your insurance provider about this new location, so there's no coverage in place, and now the costs for repairs must come out of your own pocket.

Mistake 5: Products and Operations

Changes in your business' services, products, and offerings also are crucial to report to your insurance provider immediately.

For example, perhaps you started delivering products to customers' homes, or conducting virtual consultations with patients, or offering a new skin cream as part of your product mix. All of these changes mean new and different risk exposures, and would potentially require changes to your existing coverage, or new coverages to be in place, to protect your business in case of a claim. Letting your insurance provider know right away will ensure you're covered.

Tips for Completing Your Business Insurance Application

No one means to provide inaccurate information on their insurance application. As a best practice, be sure to review all questions carefully every year, and have the owner or business leader sign off on all statements made in the application prior to submission. Designate someone to be in charge of reporting all changes throughout the year to your insurance provider.

Inaccuracies on your insurance application can end up costing you more money in the long run. If you think you may have given inaccurate or incomplete information on your application, contact your insurance provider immediately to update your policy and avoid any ramifications.

For more information about managing risk for your business, reach out to your VGM Insurance Account Manager or contact us at info@vgminsurance.com or **800-362-3363**.

