

# Dollar Wise

*or*

# Dollar Foolish...

*Which are you?*



By SUSAN PRESTON

**T**en years ago, who would have ever imagined the expansion of the multi-service spa facility. Day spas and medispas are flourishing. The whole idea of the spa concept is to provide an array of services under one roof. The theory of this is the busy individual will prefer to get multiple procedures from a facility she knows and trusts.

Many professionals in the medical and aesthetics field go to college or a trade school to learn one or two professional specialties. They then purchase insurance for those services often getting a low cost professional liability only policy.

When the person decides to open a spa of some type, other people with professional specialties may be asked to come into the spa and perform those

## SPA INSURANCE

## INDEPENDANT CONTRACTORS OFTEN HAVE THEIR OWN INSURANCE

procedures. These professionals more than likely will be independent contractors who often have their own liability insurance. The spa owner may then assume they have all their insurance needs covered. Wrong, so wrong. Where shall I begin?

If anything goes wrong at a spa, the first entity/person to get sued is almost always the spa owner – even if the person who did the procedures was an independent contractor. A spa owner cannot control who the public sues. There is only protection for the spa owner if the independent has listed them as an additional insured on their policy for the service they are being sued for or if the spa owner has a policy of their own covering that service and that person.

If the independent's policy is covering the claim, their carrier is in charge of the lawsuit and the independent's interest determines the course of the claim.

The spa owner has no control as to the outcome unless they hire their own attorney. Malpractice attorneys often start at \$350 and up an hour and might require a retainer on contract.

If the spa owner still elects to have all professionals get their own insurance then each and every independent contractor in the spa must provide proof of insurance in the form of a certificate with the full legal name of the spa listed as an additional insured.

Then the spa owner must be sure everyone has the required limits and they must request a new certificate every year at renewal. The independent contractor's certificate should list every service they will do in the spa.

If the spa owner has signed a lease with a facility landlord, and is required to name them as additional insured on their insurance, then each sub-contractor to the spa must do the same. This is in addition to listing the spa owner.

Sound like a lot of work? If this course of action is elected, the spa owner must be able to read and interpret every policy the independent contractors have. Most people will conclude life is too short.

The spa owner also must be sure each policy including their own has proper coverage. The policy should cover general and professional liability and products liability if the spa is selling products for home use. This is a nice passive source of income, so it is a good idea to offer products. If an independent aesthetician has her own line of creams, then she must have products liability as well as the spa owner.

If a nurse comes in the spa to do a laser procedure and her clients falls off the bed, who's fault is that? Both the nurse and the spa owner are likely to get sued. The claim may not be considered professional liability, so does the nurse's policy respond or the spas? If there is more than one policy, this is likely to be messy and one or both parties might be unprotected.

Spa owners who are trying to piecemeal policies are heading for trouble. This approach is leading to a minefield of holes which can leave the spa owner uncovered in the event of a major claim. If this happens, the owner will need \$100,000 or more in cash in the bank or personal bankruptcy might be in order. We see this happen about once or twice a year.

Then there is the issue of doctors who are doing procedures in a spa or acting as a medical director. Many don't require the spa to give them coverage if they are doing procedures their medical malpractice coverage would normally cover. This might be true, but their policy will not protect the spa owner who gets the lawsuit arising from the doctor's activity. If the doctor is acting only as a medical director they should require the spa to cover them on their policy. Why jeopardize the medical malpractice policy for the primary business or worse risk not being covered? This medical director endorsement on a

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## DO YOU HAVE ALL INSURANCE NEEDS COVERED?

spa policy is usually very inexpensive and everyone is then protected including the spa owner, the spa corporation and the doctor for their oversight activities.

To summarize, one policy for all the spa services has the following benefits:

1. The spa owner won't have to manage or oversee a multitude of policies, expiration dates, limits and forms.
2. The spa owner's policy will be primary in the event of a claim against them and their carrier will consider their best interests within the policy terms.
3. Insurance for all services to be performed will be controlled by the spa owner, so the spa owner will know what is and is not covered.
4. The spa owners' assets will be protected to the extent of the policy limit.
5. The spa owner has to just contact one person/broker to make changes, add services, add people and satisfy lease requirements if they change.

While writing this article, I feel even more strongly the piece meal approach is a recipe for disaster and there it nothing dollar wise about it. Insurance is meant to give peace of mind that one's hard earned assets are protected.

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