
business | integrity issues

by Susan Preston

CONTRARY TO POPULAR belief, the business of insurance companies is to pay claims. Their official purpose is to protect you against unexpected situations that arise in the course of running a business. If the moon and stars are in alignment, the insured has ordered and paid for the proper coverage for all of the services they do and fully disclosed any known problems, insurance should protect them. It sounds like a simple concept, right? Yet somehow, it never actually is.

In this economy, many people are not paying for all of the services they offer, or maybe they are not getting property insurance. In some cases, if the cost is too high, they don't bother to insure it. Well guess what? The reason the cost is high is that there is a high likelihood of a claim. We receive between one and three clients each month who have a claim on something they do not have coverage for. They saved a few bucks and then ended up being out thousands. If you don't have coverage for a service you are performing at your business, be sure to have at least \$50,000 in your bank account in the event of an unprecedented disaster.

Another recent trend is people filling out an application for insurance either for a new business or a renewal and not disclosing a known problem client that may file a claim against them. They somehow think that either the problem will go away if they ignore it or they will get a higher premium for their insurance if they disclose it. What happens is that they come back at a

later date and submit a claim. Almost no insurance policy in the world will cover a claim that was known but not disclosed prior to the effective date of the policy. In these cases, honesty is the best policy.

So when is honesty *not* the best policy? When you have someone complaining about your service, it is never a good idea to state that you did not

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do your best work. That almost always leads to a claim. People feel they got the shaft if you were not at your best. If they are wavering about what to do, they are more likely to file a lawsuit if your work was sub-par. Furthermore, the position of your insurance company, which must look out for your best interests, is compromised when you side with the client. If you state that you are liable for a problem, the carrier may deny the claim because you did their job by accepting liability. It is best to tell a problem client that you will take their issues under review and get back to them about a solution. Then immediately call your insurance carrier.

As a final note, be sure you have an insurance company that will help you solve problems. Many carriers will only accept a claim if there is a lawsuit or



specific financial demand filed. That is often not obvious when you are given a premium quote, so ask the broker how the proposed carrier handles problems other than lawsuits and claims.

On a bad day, cross your fingers and hope that the moon and stars are in alignment. Some problems may be purely due to bad luck, which is why it is smart to always carry insurance on each and every service you provide. ■

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