

Is Your LLC or Business Entity Insured?

written by CPH Insurance | December 13, 2016

Starting your own private practice is a significant milestone. It means you're ready to stand behind a clinic that you're proud of. For those who boldly go where many W2-employees don't, setting up and maintaining an LLC can be a lot of work as well. As your insurer, we'd like to take a minute to go over the ins and outs of insuring your LLC, PC, S-Corp, or Inc. With the ease of creating a company in many states growing, this topic is more relevant than ever and we are writing this article based on your actual questions that our agents receive each day. For the purpose of clarity, we will use the business entity of an LLC as an example.

Q: "What is the point of creating an LLC?"

A: This is, of course, the question that you will pose to your attorney or accountant when potentially creating your company, but for insurance purposes, creating an LLC essentially establishes a separate legal entity from yourself as an individual practitioner. In many ways, this is simply a way for you to declare "Certain assets belong to my company, and certain assets belong to me personally."

Q: "I am a single-person LLC. Do I have to insure my company if it's just myself there?"

A: Firstly, we do not require you to insure your company entity. Maintaining individual or business entity coverage will always be your choice. Our goal as your insurer is to make it clear which options you have and the benefits of each. If you have established an LLC, you have created a separate legal entity from yourself as a practitioner that can be sued, and business entity coverage is the only way to insure this.

So, even if you are the only person there, business entity coverage is appropriate in protecting your career and assets.

Q: "If I set up a limited liability company, can I be sued personally?"

A: Yes, establishing a company entity does not make you personally exempt from liability, especially if you are the individual providing the service to the client who is suing. In most claim scenarios involving an LLC, the opposing attorney will likely cast as wide of a net as possible in terms of who they name in the suit. They are not going to leave any stone unturned.

Q: "My company hardly has any assets. If someone were to sue it, they wouldn't get anything. Why should I insure my LLC?"

A: Let's look at an example. Say a client is frustrated with the way their therapy is going and they file a frivolous lawsuit against you and your company. Your individual coverage will provide unlimited defense for yourself as a practitioner, but unless your business entity is insured, you would have to pay out-of-pocket to hire an attorney to represent it. It's generally not encouraged that you represent your

company yourself in court as it could potentially lead to further liability issues, especially if the client is working with a knowledgeable malpractice attorney.

Q: “What are the benefits of taking out corporate coverage?”

A: There are many benefits to insuring your company. Your company and its assets would be provided unlimited defense coverage if sued and the policy limits would be available to it if the court finds the entity responsible to pay out for a malpractice incident. Taking out corporate coverage can actually be a way to save money if you have multiple employees who are separately paying for their own insurance. Being insured as a group can be cheaper and administratively more convenient as well. Take a moment and fill out the [business entity quote form](#) if you’re curious to see how much you could save.

Q: “Do I have to take out a second policy if I actually do want to insure my company?”

A: No, the business entity coverage we offer will cover both you as an individual practitioner and your company under one policy. You can upgrade any existing individual policy [here](#).

We hope this has been informative. The real goal here is to make sure our insureds are aware of the option of insuring their business entity. There’s a lot to consider when getting your company off the ground and we know your time is limited. Please feel free to give us a call at your convenience to discuss your options with an agent if you have any further questions. We’d be glad to help.