

# Don't Set It and Forget It: Taking Inventory of Your Insurance Should Be a Recurring Business Practice

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Benjamin Franklin penned the oft-quoted phrase, "In this world, nothing is certain except death and taxes."

It is true that death and taxes are certainties of this life, but so too is the fact that neither the risks that businesses face nor the businesses themselves are static. Both are dynamic and evolve over time. As the risks change and the businesses do, too, it is a certainty that a business's risk management needs to change over time.

This article touches on one of the common risk management tools businesses typically have in some form or fashion but can be prone to become complacent with and have a "set it and forget it" mentality about: **insurance**. Putting insurance on the shelf without periodically dusting off the cover and taking inventory is a mistake that can be easily avoided.

To ensure they have the right types and amounts of insurance coverage, businesses should be in the habit of reviewing their existing coverage with some degree of regularity, as well as when there are changes to the business and when there are new risks in the market that are reasonably expected to impact the business.

A great place for businesses to start with getting in the habit of taking stock of their insurance is to create a list of all of the company's insurance policies that identify the name of the insurance carrier, policy number, type(s) of coverage contained within the policy, coverage term (i.e. policy period), limits of insurance, contact information for the company's insurance broker/agent, and whether the policy renews automatically. The company's insurance broker may be willing to assemble this list for you to keep for your records and update periodically.

Having such a list can help ensure that when your business undertakes to review its insurance, no policies get missed.

**In taking inventory of your company's insurance, consider whether any of the following changes have happened:**

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## **1. Business Growth**

As your business grows, chances are good that the amount of insurance coverage should grow, too. Why? Growth tends to beget added risks, and more risk tends to warrant more insurance. Talk with the company's broker about the costs to increase the company's insurance coverage; you may be surprised to learn that relatively modest increases in premium amounts could afford the business significantly larger insurance limits.

## **2. Employee and/or Subcontractor Changes**

When the business hires or terminates employees or contractors, there may be reason to discuss those changes with the company's insurance broker, as that information could bear on the business's insurance needs.

For new business owners, having a discussion with the business's broker about whether the business needs to obtain workers' compensation insurance, which is mandated by law for businesses with certain numbers of employees, is a critical discussion to have. In North Carolina, for example, businesses are required to purchase workers' compensation insurance if they have three or more employees. If a business hires its first three employees and fails to have the proper workers' compensation coverage, the business may face penalties. If an employee leaves the company, the company's workers' compensation coverage can also be adjusted, so the company can avoid continuing to pay for coverage for an employee who no longer works for it.

If the business relies heavily on certain key employees or business partners, it may also want to ask its broker about purchasing key person life insurance. This insurance helps minimize the risk of business disruption by paying a death benefit if a critical employee passes away.

## **3. Territory Changes**

If the business relocates, adds new locations, or begins to offer services in new states, its insurance needs will change. Keep in mind that every state has different laws regarding insurance that could impact the business. Be sure to keep the broker informed of these changes to your business.

## **4. New Product Launch**

If the business begins selling new products, it will want to revisit its product liability insurance and potentially consider expanding its coverage, as adding additional products can introduce new liability risks.

## **5. Selling and/or Collecting Customer Data Online**

Cybercrime and data privacy breaches introduce additional risks to businesses. If your business is already or begins collecting customer data or selling products online, discuss with the company's broker adding cyber liability insurance to the company's existing coverage.

## **6. Organizational Structure Changes**

If the business forms or acquires a new entity, it will likely need to adjust or expand its existing policies, and at a minimum, it will want to consider which of the company's policies the new entity

needs to be added to.

## **7. Property Acquisitions and Leases**

Your business may need to obtain or expand its commercial property insurance if it purchases property, and it may need to obtain or expand its commercial renters' insurance if it begins renting a new space. If your business has commercial property insurance, it may benefit from periodically reviewing its limits to ensure the property is not underinsured, which can create problems when a claim occurs.

## **8. New Equipment or Vehicles**

If your business rented or purchased any new equipment or vehicles, it will want to make sure they are covered by any applicable insurance policies, such as the company's commercial automobile policy.

Suffice it to say insurance is not a risk management tool that companies can afford to relegate to the top shelf only to be pulled out when the need to use it arises. Taking regular stock of its existing insurance coverages and whether those coverages are sufficient for the business's ever-evolving needs is a healthy and necessary business practice.

As you review your business's insurance policies, don't shy away from asking questions and seeking clarification from the broker. When questions are asked, remember that it is best to get both the question and answer in writing. The same holds true when asking the broker to procure insurance for your business. Make sure your request and any material communications from the broker in response are committed to writing.

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