

Insurance, not surprisingly, is a mystery to most people—the details of policies and liability are practically another language. You probably know that as a skin care therapist you will need insurance. But did you know there are several types of insurance and that you may need different policies for different risks? Find out which types of insurance are required of you by law and put those in place first. Here's a primer on insurance types and where you can get them.

PROFESSIONAL LIABILITY INSURANCE

This insurance covers you for your actions in your skin care practice. Don't assume your homeowner's policy will cover liability losses if you work at home. In fact, most do not. Professional liability insurance is essential protection for the investment you are making in your training, the personal assets you accumulate over the years, and your future earnings. What is it?

Professional liability insurance provides protection from claims of bodily injury for which a therapist/business may be at fault or liable because of his or her negligence. In simple terms, these claims are a result of a client claiming injury from the therapy you provided.

GENERAL LIABILITY INSURANCE

General liability insurance provides protection against claims of bodily injury or property damage for which the therapist/business may be liable. These claims are accidents and/or a result of the skin care therapist's negligence. For example, if a client falls off an esthetician's chair or a table collapses because the furniture's table bolts were loose, the client can claim bodily injury.

Examples of property damage liability claims might include failure of an esthetician's washing machine that causes flooding and damage to an adjoining rental space. Or, an esthetician working in a client's home leaves a container of product on the client's table and the product damages the table. Check your policy carefully, as some insurers provide only professional liability insurance. Others will add general liability coverage at an additional cost.

THERE IS A DIFFERENCE

When purchasing liability insurance, you want to make sure you are obtaining the highest dollar limits available. In today's litigious society and with the incredible dollar amounts with which claims are settled—more really is better.

To be sure your insurance coverage is your own and is not shared with other policyholders, make sure the aggregate coverage on your policy is per member, per year—not a shared master aggregate.

Why does this matter? If you purchase a policy with a shared master aggregate, it means you are sharing the insurance policy limits with fellow policyholders. Let's say your insurance provider has a particularly high number of claims in one year from their other customers and pays out a number of sizeable settlements to those people. If you file a claim of your own later in the year, it's possible there may be no money left to defend or settle your claim. With an individual aggregate policy, the policy limits are available to you (and you only) for the entire policy year. There's absolutely no possibility that funds will run out, even if fellow members have a number of sizeable claims.



Ask also: Is it a *claims-made policy* or an *occurrence-form policy*? Typically, claims-made policies are less expensive because they provide less coverage. Some policies even offer a combination (i.e., occurrence-form coverage for general liability [accidents] and claims-made coverage for professional liability).

Claims-made coverage requires claims be reported while your policy is in effect. If your policy has expired and someone makes a claim against you (even though you had insurance at the time of the incident), you will have no insurance coverage because your policy has lapsed. The insurance company has the right, too, to refuse to renew your policy. This could make it difficult to protect yourself.

Many professional liability claims aren't filed until the statute of limitations draws near—two years in most states. If you let your claims-made policy lapse and a claim is filed 23 months later, it's as if you never had any coverage at all.

Occurrence form means coverage continues for incidents that occur while you were insured, even if a claim is filed at a later date when your policy has lapsed. With occurrence form coverage, should you have a claim filed 23 months later, even though you no longer have a current policy, your policy will provide liability coverage for a covered claim.

The bottom line? Claims-made insurance is typically less expensive because it isn't nearly as comprehensive as an occurrence-form policy. Period.

Another important consideration is whether legal defense coverage is provided in addition to your aggregate limits. If legal coverage is included in your aggregate limits, it will cut into funds available for the actual claim. We all know how expensive legal fees can be.

Where do you get professional liability insurance that provides the kind of comprehensive protection you need? Why, ASCP of course. Due to our buying power, the cost is minimal compared to the protection provided—with no deductible.

BUSINESS PERSONAL PROPERTY INSURANCE

Professional liability insurance does not cover the replacement of your table, computer, office desk, or skin care products, due to fire, flood, theft, etc., but Business Personal Property insurance does. Again, homeowner's insurance most likely will not cover

property used in business activities. Business personal property insurance is very affordable, and available at a nominal additional charge through ASCP.

DISABILITY AND HEALTH INSURANCE

Disability insurance protects you in case you are unable to earn a living. Disability could occur through any number of causes—car accident, tendinitis, illness, etc. It is a prudent investment for those who wish to make skin care a career and are self-employed.

Health insurance covers your medical costs if you get sick or are injured in an accident, and typically covers doctor visits, hospitalization, and maternity. Many plans are customizable.

ASCP works with a company that may offer disability and/or health insurance policies in your state. This company may be able to offer you a reduced rate because of your ASCP membership. Contact ASCP for up-to-date information.

LIFE INSURANCE

Life insurance is important if you have loved ones you wish to protect after you're gone. Available almost everywhere through independent agents, it is relatively inexpensive.

OTHER INSURANCE OPTIONS

Additional types of insurance are available for therapists who have expanded into an employer role. See discount plans on page 229.

- **Business Interruption Insurance.** This protection provides income if your business must close due to a covered loss.
- **Workers' Compensation.** Workers' compensation is required by law if you have employees or independent contractors (check your state's requirements).
- **Employment-Related Practices Insurance.** This insurance offers coverage for allegations of discrimination, wrongful termination, and other employee-related incidents.
- **Crime Coverage.** Crime coverage protects employers against employee dishonesty.

You've worked hard to build your business. Don't let a mishap put it in jeopardy. ✨