

IT'S SMART TO INSURE YOUR EMBROIDERY SOFTWARE

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You walk into your embroidery business and — surprise — your computer has been stolen, along with your expensive graphics and digitizing software. So you call your insurance company to inquire about getting it replaced and you discover the software isn't covered on your homeowner's policy — and you don't have enough business insurance to cover it either.

While this is exactly the type of unwelcome surprise that decorators want to avoid, it happens because people mistakenly think their software is covered under their home or business policy. It may be, but the policy's limit on the coverage is way below the replacement value. Internet discussion rooms have documented horror stories of decorators who've lost software, only to discover that their policy only covered them for a few thousand dollars. The good news is that such a business tragedy is easy to avoid.

INSURANCE ESSENTIALS

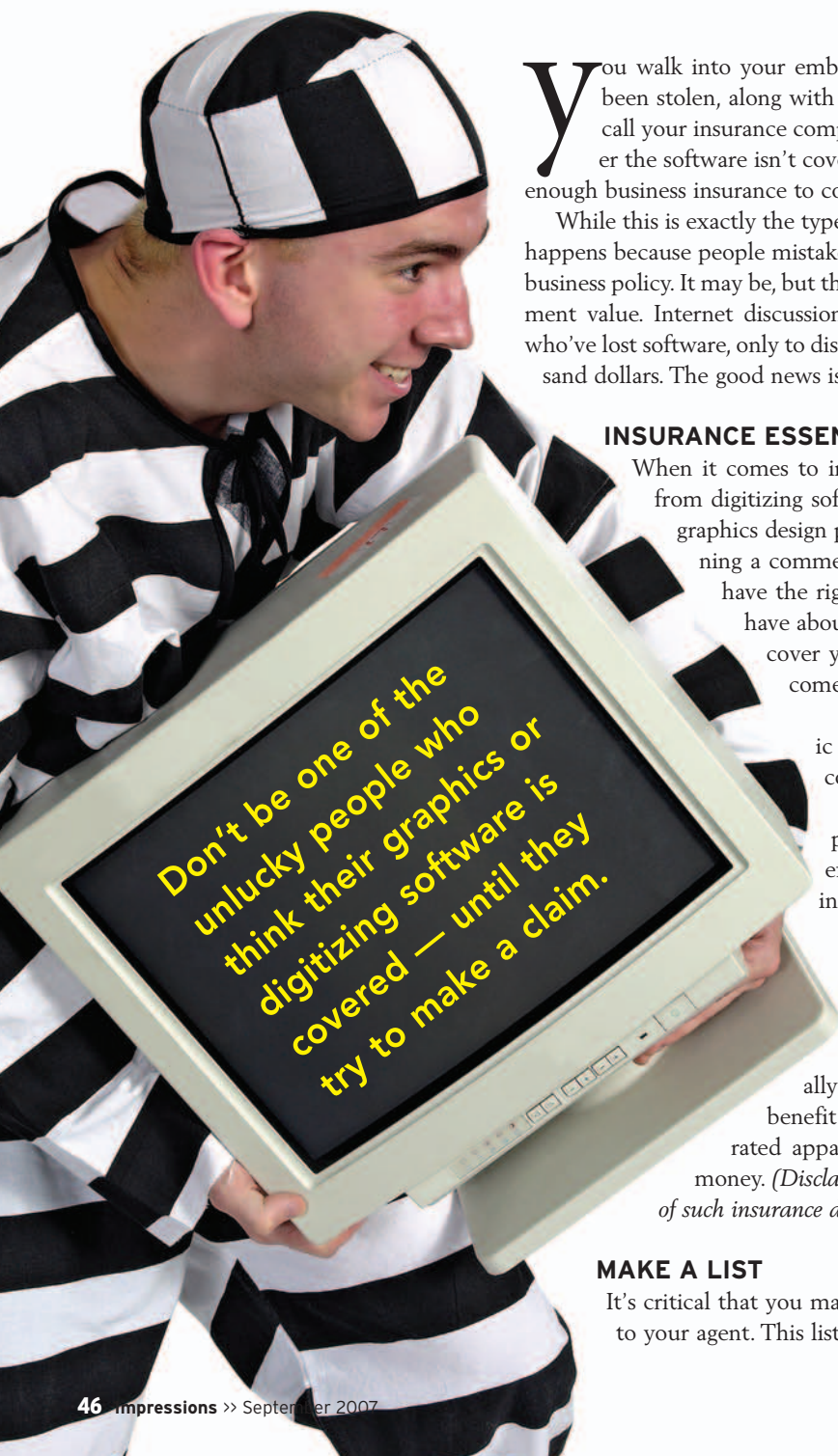
When it comes to insurance coverage for software — including everything from digitizing software, dongles and clip art to accounting programs and graphics design programs — it doesn't really matter whether you're running a commercial or home-based business. What matters is that you have the right amount of coverage. Homeowner's policies typically have about \$2,000 in coverage for software, which isn't enough to cover you in case of loss. Likewise, the \$10,000 coverage that comes with business insurance policies also isn't adequate.

Software insurance coverage is generally called electronic data processing (EDP) coverage. You can insure your computerized equipment and software in three ways:

- Include it under your business policy's personal property coverage. This is usually the most costly, least effective route, although it's easier to deal with from the insurance agent's perspective.
- Prepare a list of your equipment and software, and get coverage on it directly.
- Get business insurance specifically for decorators, where the provider has built-in coverage for business equipment and software. This coverage, which is generally offered in increments as large as \$50,000, includes the benefit of being provided by agents who understand the decorated apparel industry. Also, it gives you better coverage for less money. *(Disclaimer: At this time, the author's company is the only provider of such insurance designed specifically for decorators.)*

MAKE A LIST

It's critical that you make a list of all your current software and supply this list to your agent. This list will be extremely important if you have to file a claim,





IF YOUR COMPUTER was stolen, is your software covered? Most business insurance coverage is not sufficient to cover the replacement cost of embroidery digitizing and graphics programs. Photo courtesy of *Stitch Palette, Burlington, N.C.*

READY-TO-GO FORMS MAKE INSURANCE DOCUMENTATION EASIER

Once you have made the investment into fully covering all your software, protect that investment by having the documents and records required to make a claim. One of the most important forms to have is a list of your software programs by name, serial number and cost. This document will be your proof of what programs you had. Make sure you keep a copy off-site or on a remote back-up server, not only on your computer. Your insurance agent also should have a copy of this list. A blank form called "Embroidery Computerized Equipment List" is available for free by going to mckayins.com. This list is equally appropriate for any type of decorated apparel business, not only embroidery. You'll also find other handy lists that will help you ensure you get sufficient coverage for all aspects of your business.

so in addition to giving a copy to your agent, save a copy in a remote location. After all, it won't do anyone much good if the list is stored on your stolen computer. Also, you'll need to inform the agent when you buy additional equipment and software. You want to make sure new software also is covered, even though your premium may change.

Equipment suppliers sometimes sell software as part of a machine package, offering a discount on the software as an incentive. That said, you need to find out the full value of the software because if you have to replace it, you can't do so at the discounted package price. In other words, list the software's replacement value, not the discounted price you receive.

Generally, your provider will suggest a

cushion of about \$10,000 to cover anything that you may forget to mention on the list. However, if you don't provide a list, coverage may be reduced to a minimum dollar amount, such as \$5,000. This is because agents who are not familiar with the decorated apparel industry have no idea what these programs cost and they are basing the coverage amount for a typical business. When it comes to software insurance, decorators are not typical.

Some insurance agencies offer list templates on their Web sites to help ensure that you don't omit any critical information. For each piece of software, list its name and how much it costs. It's not a bad idea to also jot down each item's serial number, just in case your software provider is willing to provide a free copy of a program that was lost or damaged.

ADDITIONAL INFO

Filing a report. If your software is stolen, you must file a report with the police. If it's damaged, what happens next depends on the cause of the damage. For instance, your software generally isn't covered against damage from flooding. (On a related note, if your business is located in a basement, you should have additional coverage for water or sewer backups.)

Once you file a claim, the quickest you might be reimbursed is within a week, depending on the type of claim. However, it may take considerably longer if the claim is a complex one or if you haven't kept good records, including the software list mentioned earlier, as well as detailed financial records. In fact, it can take up to four times as long to process your claim if you don't have the necessary information. If it takes months to settle a claim because of poor records, the insurance company won't reimburse you for the income you lose waiting for your software to be replaced.

Rates. Insurance rates vary depending on the provider, but the rate for computerized machines and software is generally lower than the rate for business and personal property. So when you consider insurance expenses in terms of cost per thousand dollars, you're actually better off listing and covering your software separately rather than lumping it into the general policy, which is the expensive way to do it.

Back it up. You've no doubt heard it a thousand times, but it still bears repeating: Back up all of your important files regularly. Also, keep at least one copy of the back-up off-site. You may want to look into online backup services, where your important files are stored remotely on a Web site's servers. This way, if your files are damaged or lost, you can easily retrieve them from the backup.

Better yet, store a physical back-up copy off-site and another copy via the online service. After all, when it comes to your company's valuable software, you can never be too safe. ▲

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