



How To Acquire Makerspace Insurance: A Primer

How To Make A Makerspace

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Disclaimer!



I am not an insurance expert.

The following information is what I have gleaned from several years of working with top-notch insurance brokers.

Some of this may be wrong. Proceed with due caution.

Process



1. Do your homework.
 2. Assemble the prerequisites.
 3. Search for, find, and negotiate with the right broker.
 4. Pay.
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Glossary – Insurance System



- **Insurance Broker**
 - Someone who compiles your business details into a standardized application, and shops your application with the insurance you're looking for in various insurance markets (usually for a cut of the payment you make to an insurance company).
 - **Insurance Company**
 - The entity with which you hold insurance, usually accessed through brokers, which will write you checks in case of incidents. Unless you're working with a giant company like Geico, AllState, or State Farm for very specific, known-risk types of insurance (hint: not makerspace insurance), you will likely never deal directly with an insurance company.
 - **Insurance Market**
 - A collection of insurance companies licensed to operate within certain geographical boundaries, regulated by bodies operating within those geographical boundaries.
 - **Primary Market**
 - A collection of insurance companies (usually state-based and state-regulated) that must be approached with business applications from a geographic area before any others.
 - **Secondary Market**
 - A large collection of higher-risk insurance companies (usually national) that can only be approached after brokers display good faith efforts to engage companies in primary markets.
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Glossary – Insurance Details



- **Replacement Value**
 - Cost to replace something with new equipment
 - **Actual Cash Value**
 - The actual value something could be sold for in its current state
 - **Deductible**
 - Amount of loss you cover per incident
 - **Co-Insurance**
 - Requirement that the amount of insurance carried is within a minimum percentage of the insurable value of your property
 - **Personal Property**
 - Equipment, machinery, raw stock/materials, improvements to your facility, etc.
 - **Additional Insured**
 - Third party who is covered by your insurance policy without having to pay for it – i.e., your landlord, or a sponsoring organization for an event (i.e., Make with Maker Faires)
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Glossary – Insurance Details



- **General Liability**
 - Protection of your business against claims of bodily injury, “personal injury”, or property damage from third parties
 - **Personal Injury Claim**
 - Claim alleging false arrest, libel, slander, malicious prosecution, wrongful entry, or wrongful eviction
 - **Per Occurrence**
 - The maximum amount paid by the insurance company for any one incident – includes court fees, settlements, etc.
 - **Aggregate**
 - The maximum payout to multiple claims in one policy year
 - **Umbrella**
 - Additional coverage that covers overages of other policy amounts, in case limits are reached
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Do Your Homework

Do Your Homework



Q: What insurance do you *need*?

Do Your Homework



A: *What your lease and the law requires.*

After that, whatever you think is a good idea.

Lease Requirements



- Leases generally require:
 - Business owners insurance (**General Liability and Property**)
 - Usually, \$1M per occurrence, \$2M aggregate – independent of the size of your business
 - Umbrella insurance (for larger businesses)
 - Landlord named as **Additional Insured**
 - Read your lease to learn more!
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Law Requirements



- If you have employees:
 - Worker's Compensation Insurance
 - Unemployment Insurance (depends on conditions)
 - Disability Insurance (California, Hawaii, New Jersey, New York, Puerto Rico, Rhode Island)
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Assemble Prerequisites

Assemble Prerequisites



- We're a weird type of business
 - Weird is difficult to insure
 - More data makes us easier to insure
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Asylum Insurance



- Acquiring Asylum insurance required:
 - **Actual Cash Value** property insurance
 - Robust membership agreement
 - Estimates of member and student count
 - Examples of training syllabi and procedures
 - Electronic door access control
 - Full tool list
 - Security cameras (2nd year)
 - Your requirements may vary, but be prepared to show what we had
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Asylum Insurance



- Be prepared to spend 2-3 months going back and forth between you, the broker, and the company, to satisfy requests for more data
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Search For a Broker

Brokers



- Not all brokers are created equal.
 - If they've never insured a company with tools and manufacturing hazards, they won't have any idea what to do with you
 - Just because one broker can't find you insurance doesn't mean you can't get insurance.
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Gui's Guide to Finding Good Brokers

1. Find a decent/good local machine shop or woodshop
 2. Ask the owners who their insurance broker is
 3. Set up an in-person appointment with said broker
 4. Dress well for the appointment (not kidding), and bring the following:
 1. A simple description about what you do
 2. Your lease
 3. As much data and prerequisites as possible
 5. Sell yourself as “a machine shop with membership-based public access” – you want to be a modified known entity, as opposed to some revolutionary, un-definable new type of business
 6. Indicate that you expect to only be carried on secondary markets
 7. Spend 2-3 months supplying more data, and promising more safeguards if they're necessary for a policy (i.e. more cameras, SawStops, etc.)
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Pay Up!

WARNING!



- Your application, once finalized and signed, is a legal contract. DO NOT LIE
 - If you have no accidents, then fine, it doesn't matter.
 - If you have an accident and are caught lying (about anything), they will refuse to pay.
 - On a similar note, if anything significant changes (get an expensive new tool, membership or student predictions were way off, etc.), inform your broker as soon as you can
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Questions?