



Your Questions Answered

Free advice can be worth a lot. Our experts are here to address your most pressing franchise concerns.

Insurance and Liability Issues

Lucy Sousa Insurance Expert

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Q I recently purchased a full-service restaurant (FSR) franchise. My franchisor offers a group insurance plan, but I am not satisfied with the level of coverage. Can I opt out and purchase my own individual policy?

■ LUCY SAYS:

First, you need to review your agreement to see if it is mandatory for all franchisees to participate in the program. Every franchise agreement is different; some franchisors will give you the option to obtain coverage elsewhere, as long as certain minimum requirements are met. In this case, you're free to source your own custom plan that works for you and your staff and meets the goals of your business. The benefits insurance marketplace has several quality providers that insure the employees of thousands of small businesses in Canada. With so many options to choose from, it is advisable to consult with an independent insurance advisor who can survey the market and help find the best solution for you.

Q In reviewing my insurance options for my business services franchise, I've come across something called 'errors and omissions' insurance.

What does this policy cover that general liability coverage wouldn't?

■ LUCY SAYS:

A general liability policy provides you with coverage for claims as a result of legal liability for bodily injury or property damage, but excludes claims arising out of professional liability. For example, a general liability policy should cover you if

someone slips, falls and breaks their ankle on your property or sustains injury using a product you sell. An errors and omissions (E&O) policy is designed for professional service providers like you, if you should face a claim accusing you of negligence or providing incorrect advice in the course of your duties. If a client alleges you made a mistake that cost them financially and decides to sue, E&O coverage will help protect you. Some insurance companies will add E&O insurance to a commercial general liability policy.

Q As a landscaping franchisee, I have a small fleet of vehicles my employees use to get from site to site. What are my obligations and options in terms of auto insurance? If an employee is involved in a traffic accident, am I liable?

■ LUCY SAYS:

As the owner of the vehicle, you are liable for any claims arising out of the use or ownership of that vehicle. If an employee is involved in an accident with a vehicle registered in your name, you can be held responsible. It is important to have adequate third party liability limits. Third party liability provides coverage for bodily injury or property damage caused to others, for which you are held legally responsible.

Also, if one of your drivers has a suspended or expired license and is involved in an accident, you may not be covered in the event of a claim. Since vehicles are a critical asset to your business, a risk management program should be in place to ensure drivers are properly licensed and have good driving records. This should be reviewed on an annual basis.