

# Furniture MATTERS

A PERIODIC FORUM OF THE FURNITURE SOCIETY | SPRING 2006

## Hoosier Happenings

RECENTLY RETURNED from our annual January Board meeting in Indianapolis. It's a city like a lot of mid-western cities; pretty bleak in the winter.

Despite the gray, I came away from my visit with much anticipation for my return in June for the conference.

The facilities at our host institution, the Herron School of Art and Design, are superb.

The aspect that attendees will appreciate the most is the close proximity to all the venues, creating an intimate and cozy conference.

The campus is an easy walk to the canal, museums and downtown. It is a historic city with a revitalized presence.

So although Indianapolis might not at first appear to be the most glamorous location, (we are usually too busy to see much beyond the exhibitions, presentations and discussions anyway) I think it will be an excellent site for thoughtful discussion and community building among members.

Co-chairs Cory Robinson and Phil Ten-

nant are doing a great job preparing for our arrival. With a tip of the hat to native son David Letterman, check out our Top 10 Reasons to come to Indianapolis this June. While there, don't miss the juried exhibition *Show Us Your Drawers*, the student show, *Faculty Selects* and of course your work in the Members' Gallery.

### Editor's Note

If you missed last year's conference, the discussion is still continuing. Inside, Andy Pitts gives a detailed report on insurance issues that began with Craig Nutt's presentation in San Diego. From the member survey generated last year, I know this topic is salient to all of us.

Also from that survey you told us you wanted more *Furniture Matters*. So per your feedback, we are increasing our publication from three to four times a year.

As always, your comments and contributions are enthusiastically welcomed.

Lynn Szymanski

Editor

[Newsletter@furnituresociety.org](mailto:Newsletter@furnituresociety.org)



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ES 06  
Collision at the Crossroads

# INDIANAPOLIS 2006

Contact, fusion and other happy accidents  
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# The Insurance Show

## Important Business Lessons For Artisans

BY ANDY PITTS

**A** WILDFIRE CAUSED by a downed power line races through a Colorado canyon, destroying a furniture maker's workshop and home. A flash flood inundates a Utah maker's shop, ruining all of his electric motors. A truck driver falls asleep, overturning his rig and destroying beautiful showpieces from a California maker. These were some reality checks in *The Insurance Show*, a Craft Emergency Relief Fund (CERF) presentation on Commercial Business Insurance hosted by Craig Nutt at The Furniture Society Conference in San Diego.

Prior to *The Insurance Show*, I had a rudimentary understanding of business insurance. I knew my homeowner's policy would not cover me as I transitioned from hobbyist to professional woodworker. Alternative business structures, such as corporations and limited liability companies could deflect risk, but even those business entities required business insur-

ance. And few companies were willing to insure a woodworking shop, and they were generally expensive. I needed to know more.

### Heeeeere's Craig!

With a snappy monologue and a few insurance jokes, Craig warmed us up before he cut to a commercial, which was actually an informative video montage of CERF's services and some tragic losses. I was struck by the case of California furniture maker Debey Zito. A shipment containing several beautiful pieces of her work was destroyed when the driver fell asleep and the truck ran off the highway, overturning and burning. Debey did not have Inland Marine Insurance, the type of coverage used for shipments, and only at the last minute did she find out that the trucking company did not have insurance, either, too late to change arrangements.

Colorado furniture maker and wildfire victim Glen Kalen told us his shop had been insured before the fire, but only afterward did he realize he did not have a thorough inventory of all his property. It took a long time to piece together a list of what was lost, causing him to discover that he had been somewhat underinsured.

These cases vividly illustrated the

importance of careful forethought regarding insurance matters.

Craig's special guest Dave Kotary, whose Ohio company represents a group insurance plan for crafts persons, made some important points:

- Don't settle too quickly. Take time to ensure you claim all of your loss.
- Document your property - video, photography, or detailed inventory. Store the records off premises.
- Liability coverage should be at least \$1,000,000.
- Use as high a deductible as you can afford to lower your premiums.
- Modify your policy as risks change.
- Use a company rated at least "A", with financial size at least "VIII", and "admitted", meaning it belongs to your state's insurance guarantee fund.
- For Inland Marine coverage, insure for the largest shipment you will make.
- Insurance premiums may be reduced for things such as dust collection, proper storage of flammables, and cleanliness.
- Homeowner's policies will not normally cover a woodworking business and the insurance company could refuse to pay a claim.

On that topic furniture maker Andy Glantz later related to me his experience with a homeowner's policy.

"When I was living in Utah, and had homeowner's insurance, I asked about my business and was told that they would cover it. But when we had a flash flood, and the shop was inundated (every single electric motor in the shop needed to be repaired or replaced, just for starters), they not only would not cover it, but I was told that their coverage of the building that it was in was terminated as well. No, homeowner's policies for a business will not cover anything."

A CERF handout made a couple more points:

- If you lease your studio, you must still have business insurance. The landlord only insures the rented premises.
- Only a third of craft artists assisted by CERF have business insurance.



**CALIFORNIA FURNITURE MAKER** Debey Zito lost several pieces of her work when an uninsured truck containing the work ran off the highway and burned.



**COLORADO FURNITURE MAKER** Glen Kalen's shop had been insured before a wildfire destroyed it but only afterward did he realize he did not have a thorough inventory.

## Anatomy of a Business Policy

So, I was convinced I needed business insurance. After a lot of work, I finally had a policy in hand. Of the two quotes received, I chose the one with slightly higher premiums because that policy covered more of my specific risks. But I was shocked that my annual premium was \$3922 for a low volume, one-person shop. Clearly insurance should be budgeted as a major cost of doing business. My experience hasn't made me an expert, but I now have a much better understanding of business insurance and I'd like to share some of the nuances I discovered.

## Commercial Property Coverage

This covers my workshop, tools, and materials, with a \$1,000 deductible (the part I pay in a loss). I have "replacement cost coverage", meaning the insurer will pay me what it actually costs to replace my property up to the limit of insurance (the dollar amount of coverage). I have 90% "coinsurance", meaning the limit of insurance must be at least 90% of my total reconstruction cost for the insurer to pay the full amount of a loss (up to the limit of insurance).

For example, my workshop is insured for \$150,000. If I were to have a loss, as long as the total reconstruction cost of the building was no more than \$165,000 (\$150,000 is 90% of \$165,000), the insurer would pay for the entire loss up to the limit of insurance. If I fail to increase the limit of insurance each year and in a few years it costs \$180,000 to totally

rebuild, I don't meet the 90% test and the insurer would pay only a portion of a loss. I also have business personal property coverage, which includes \$30,000 for tools and equipment, and \$30,000 for lumber, materials, and finished products (called "stock").

Also, personal property of others is insured to \$10,000, allowing me to take in work on pieces owned by clients. The policy covers property in my vehicle within 500 miles of my shop, and my property at temporary locations, such as shows. My policy's "covered causes of loss" are called "special", meaning all risks are covered, except for listed exclusions and limitations - worth taking time to read.

## Commercial General Liability Coverage

Bodily injury and property damage liability coverage is for injuries or damages to others at my workshop.

Products-completed operations liability coverage is for injuries or damages caused by my furniture. The premium is based on my annual gross sales estimate.

My liability coverage is \$2,000,000 aggregate, which is the maximum payable in a year for all claims, and \$1,000,000 per occurrence. The injury or damage must happen during a period the policy is in effect (i.e. I paid premiums that year.) For example, suppose I build a chair this year and someone is injured by it a year after I retire. If I have cancelled the policy by then, I am not covered. Even if the court did not find me negligent, I would still have to pay to defend myself, some-

Additional information  
may be found at  
[www.craftemergency.org](http://www.craftemergency.org)

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thing liability insurance normally pays for. If I wish to stay fully covered for the rest of my life, I will need to keep some insurance in force!

Medical Payments coverage provides \$5,000 for medical costs to persons injured on my premises, but does not cover my injuries - it is not like a health insurance policy.

## Equipment Breakdown Coverage

This covers loss or spoilage of my property due to breakdown of equipment or utilities. This is a standard part of my policy, but probably is not very useful in my particular case. I can think of other businesses where spoilage due to equipment or utilities interruption could cost big money, such as a lumber kiln operation.

Equal in importance with knowing what is in the policy is knowing what is not in the policy, and mine does not include Inland Marine Coverage. When I have to make a commercial shipment I will have to insure separately.

## Coming Attractions

*The Insurance Show* helped me come to grips with business insurance and obtain adequate coverage. Although I still have a ways to go in developing the perfect policy for my business, I feel that I use my insurance every minute of the day, even though I strive to never have to actually make a claim. True, business insurance is complex and expensive, but it is necessary. What would I like to see next? Perhaps one day enough of us will band together to develop a less expensive and easier to understand group insurance program specifically for studio furniture makers. Of course, when that happens, celebrity host Craig Nutt might be out of a job!



**ANDY PITTS** is a Furniture Maker in Heathsville, Virginia.