

## 1.2 Insurance, Business Structure, & Regulations

At the beginning of your company start up you'll need to know what is required legally by your local government. Each city, province/state, and country will have different requirements, so it is important to know what yours requires.

**This section is not a legal or comprehensive regulatory section, but it will give you a broad area to think about, research, and learn more through local insurance and government facilities and websites.**

### Insurance & Business Structure

As a company, you are required to have insurance on your business. This is designed to cover your liability in situations where your performance may cause damage to property, staff, general public, or anything else that could financially bankrupt your company and perhaps even yourself personally. Do not ever operate a business that does not have the proper insurance policy in good standing.

You will need to speak to an insurance broker(s) about this and they may start off with 3 questions.

1. Are you a sole proprietor, partnership, or are you incorporated? This terminology may differ from country to country, but it basically is about how your company is structured.

An incorporated company, or LLC is a company that is its own identity. This doesn't mean you can start it and not be liable yourself, but it creates a company that is its own taxable identity. A sole proprietor is someone who is the company. If you work for yourself and are the only employee, this can save you money by going down this option, but you are the company. A partnership is similar to being a sole proprietor, but there is more than just the one person involved. A contractual agreement should be in place between the people involved in these.

\* Research this further as this is not a legal description and is not intended to be legal council.

2. How much liability insurance do you want? The insurance broker's recommendations are probably the best to start with because they have experience in your local market. You don't want to carry too little insurance, but at the same time you don't want to pay too much for insurance that is far more than needed. In BC, Canada, 5 million dollars (2020) is required by many companies and municipalities in order for a company to do work for them. Many only require \$3M. This is why a safety plan is very important. You don't ever want to have to use this policy as your annual costs may go up if you have to use it and it means you've caused damage that was probably an accident.

3. How much do you expect to earn this year and how many employees do you have? These are complete guesses for the most part in year 1, but try to forecast before taking a meeting. Your preparedness is a great benefit to yourself and good practice for everything you do as a business owner. You should know how much you'll need to earn to cover your expenses from working out your budget. This is a good starting point for your first year.

## Naming Your Company

Before moving forward in any legal regard to setting up your company, make sure you have your domain name and company name sorted out in a way that you want it. Having them match is a great option for this, so take your time and don't rush this process. This can be done easily on many different websites such as [bluehost.com](http://bluehost.com), [godaddy.com](http://godaddy.com), [namechk.com](http://namechk.com), etcetera. If you incorporate a company name through a lawyer or legal website and then later find out someone else owns the domain name (or very close variation of it), you may have to adjust your domain name or you may want to make a legal name change to match your domain name. Both of these will cost you more money that you didn't have to spend if you took your time to line everything up prior to making a purchase. There are a lot of moving parts in this section, but after going through Module 2 it will become more clear and you'll be on your way.

Once you have your company incorporated (or set up as a sole proprietor/partnership), have your domain name purchased, and have your insurance quotes, you can move on forward to opening a business bank account.

## Bank Account

Once you have an incorporation number or are registered as a legal company, you should be able to open a bank account under that name. You should then use this account for anything related to purchasing for the company as it will help keep your accounting and filings in order. Organization is very important early on in your business because as you grow you will have other important tasks to deal with. Redoing something that could have been set up correctly in the first place shouldn't be taking away your time later on.

This account will be used for making purchases, paying taxes, accounting expenses, paying employees, receiving payment, and any other financial transactions you will need to do. It can also be linked to many accounting software programs.

## Province/State & Federal Employee Deductions

Payroll can be set up a few different ways. You should find an accountant or bookkeeper that you trust and have confidence in to discuss what is needed in your territory. For example, almost everywhere in Canada requires employers to pay CPP (Canadian Pension Plan) on the employees behalf, which is based on their earnings. In BC, WorkSafe is also required to be paid based off of wages, including dividends and subcontractors as well. These payments must be made.

Other benefit payments can be taken off of paycheques in order to pay the employees portion of certain agreed upon benefits. This should be researched and talked about with an accountant as we are not a certified accounting firm, nor is this legal advice.

Research what your local and federal required employee deductions are and have it set up in your accounting software if possible. Missing payment and having to come up with backpay can come with large interest rates that can be hard to overcome for many new businesses.

## Business License

A valid business license is needed for any business in most countries, such as Canada, USA, EU, & Australia. Contact your city hall or provincial/state government or federal branches for full information. In Canada these are easy to obtain as a graffiti removal company, but can be more expensive depending on other industries you may provide services in.

## Health & Safety Compliance

Each province or state will have a guideline and enforcement for businesses to follow in regards to health and safety at a work place. They may have different names, such as WorkSafe, Fair Labour, Occupational Safety, etcetera, but they are all working towards the same goal, which is to enforce safe and fair labour practices for employees within their geographical territory.

Your company will need to register and get set up to be a part of this practice. It is often mandatory and many companies that will hire you may ask for your registration number in order to check in on your company through this resource. If you have a history of accidents, or have been warned multiple times, your record will reflect that and you may not get jobs because of it. Keeping your employees safe is important and you should hopefully find pride in maintaining a clean record.