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Introduction

With the US Bureau of Labor Statistics predicting faster-than-average growth for many occupations in the industry, personal care represents an excellent development opportunity for insurance agents. Take a look at the projected forecast from 2012 to 2022 for spa and salon professions:

- Skincare specialties will grow by **40 percent**.
- Massage therapy will grow by **23 percent**.
- Nail care specialties will grow by **16 percent**.
- Hair and cosmetology professions will grow by **13 percent**.
But spas and salons – even barbershops – aren’t like every other small business. Yes, they usher in risk when they invite customers in, but they also face exposures from emerging technologies and unusual industry practices.

This eBook is designed to help you capitalize on the opportunities present in the salon and spa industry. You’ll find…

- An overview of important policies for spas and salons.
- Individual sections dedicated to investigating risk in specific occupations.
- Tips for classifying risks that fall into multiple categories.

Combining this industry information with the power and efficiency of the Insureon Solutions platform makes marketing your hair salon, barbershop, or day spa risk easier. Keep reading to see how this sector can help your agency grow.
Coverage Overview for Spas, Beauty Parlors, Barbershops, and Massage Professionals

Spas and salons are committed to providing their clientele with opportunities to look good and feel great. Owners work hard to create beautiful surroundings as they highlight, wax, clip, and cut, all in an effort to improve their customers’ appearance. And if all goes well, their customers’ outlook can improve, too.

But even when a business is dedicated to beauty, things can get ugly. Think about what would happen if…

- A customer gets a fungal infection from a spa pedicure.
- An employee forgets to set the timer on a tanning bed.
- A thief breaks in after hours and steals expensive equipment.

And it’s not just unusual mishaps that a spa owner has to worry about. Common industry practices and day-to-day operations come with their own set of hazards, including…

- Contact with hazardous chemicals.
- Intimate aspects of some services.
- The physical nature of spa work.

To find adequate coverage for spas and salons, you’ll need to understand both their services and their practices. Let’s take a look at these issues separately.

Is it a Salon, a Spa, or Something Else?

One striking feature of personal care services is the industry’s fluidity. A business may use the term “day spa” in its name but offer services that make it a medical spa in the eyes of an insurance company. A nail salon sometimes includes tanning beds or hair removal services.

Why does that matter? Because the services can determine a business’s NAICS classification and the way the risk is rated.

Take the first example from above. A business calls itself a day spa, but it offers non-invasive or minimally invasive procedures, such as…

- Botox injections.
- Chemical peels.
- Sclerotherapy.

These services change the classification to medical spa, and while it may still be covered by standard markets, the rates will be different.

Understanding your client’s services will also help you identify whether their workers need special coverage. For example, massage therapists face a unique risk because they’re required to intimately touch clients behind closed doors. They’ll want to consider adding an Abuse and Molestation policy to protect them, should they face an accusation of impropriety.

Not all businesses that call themselves “day spas” will have that NAICS classification.
Who’s in Charge?

Another aspect of coverage that requires special attention is the number of independent contractors, or booth renters, in the personal care industry. Salon and spa owners often lease space to hair dressers, massage therapists, estheticians, and manicurists rather than hire them as employees.

This is good business sense because employers do not need to provide Workers’ Compensation for independent contractors. The problem is that the IRS and the US Department of Labor are cracking down on misclassified employees. Making a mistake in classification can result in big headaches for employers.

Which Insurance Policies Do Salons and Spas Need?

Once you have a handle on the services a business provides, finding coverage is not so difficult. Most personal care professionals need...

- **General Liability Insurance** to compensate for expenses caused by a third-party lawsuit over bodily injury or property damage.
- **Property Insurance** to protect their essential equipment and business location.
- **Workers’ Compensation Insurance** to pay for an employee’s on-the-job injury or work-related illness.
- **Errors and Omissions Insurance** to safeguard their assets when a customer claims an injury was caused by negligence.

Additionally, most salons and spas qualify for a Business Owner’s Policy, or BOP. Created to make the basic coverage more affordable, a BOP combines GL and Commercial Property in one convenient package.
WHAT AGENTS NEED TO KNOW ABOUT WRITING POLICIES FOR SALON AND SPA CUSTOMERS
A barber, an esthetician, and a nail salon owner walk into an insurance agency…

Sounds like the beginning of a terrible joke, but what if it really happens? Beyond recommending General Liability Insurance, would you know how to help them?
In this next section, we’ll walk you through different occupations in the personal care services sector, pointing out unique features you’ll need to consider when placing the risk. Most of what you’ll read will alert you to how the services provided affect your client’s coverage, but you’ll also learn important questions to ask, such as…

• Does your day spa have exercise equipment?
• How many tanning beds does your business own?
• Do you rent space in a spa or salon?
• Does your medical spa provide overnight lodging?
• Do you rent booths to other stylists?

As you read more about the personal care industry, you’ll begin to see how important it is to investigate a client’s business to find their exposures and get them covered. Let’s get started.
INSURANCE FOR BARBER SHOPS
Barbershops are mainstays of tradition. The sights and smells associated with barbershops – the scent of hair tonic, the buzzing of clippers – evoke memories for lots of men. With a spinning red-and-white-striped pole outside beckoning customers in, barbershops have been central fixtures in many communities.

While steeped in tradition, the popularity of barbershops has ebbed and flowed over the years. Currently, they’re experiencing an upswing, and the US Bureau of Labor Statistics predicts that the profession will continue to grow at least as fast as other occupations through 2022.
What Characterizes a Barbershop?

If you’ve spent any time looking at NAICS codes, you will have noticed that barbershops have a different code than hair salons. So how do you distinguish between the two when a hair-cutting client comes to you for coverage?

According to the NAICS system, barbershops…

• Cater primarily to men.
• Offer fewer and more basic services than a hair salon (e.g., simple buzz and flat-top haircuts, straight-razor shaves, hair towel treatments, and beard trims).

But newer barbershops might offer additional services, such as waxes or color treatments. These shops may market to women, too. Does that change the way you should classify them?

The best answer is, “it depends.”

Different carriers like covering different risks, so the carrier that was okay with a basic barbershop may not have appetite for one that uses chemical relaxers. The key to finding insurance for your barbershop client is to ask enough questions so that you’re confident you’ve classified them correctly and chosen the policies best suited to their risks.

Customize a client’s policies with endorsements for more tailored coverage.
Questions to Ask Your Barbershop Clients

The first step to learning how your client’s business works is to check out their website or brochure so you can get a sense of the services they provide. But that’s only the tip of the iceberg.

To really get to know your client, you’ll want to ask them the following questions.

1. **Do you rent a booth in someone else’s shop?**
   This is the most important question you can ask your client because the answer has a big effect on their rates.
   - Barbers who rent (“booth renters”) tend to have less property than shop owners.
   - Booth renters may not be covered by the owner’s General Liability or Professional Liability policies, so they should carry their own.

2. **Do you own a shop and rent chairs to other barbers?**
   An owner who rents to another barber takes on some additional risk. When insuring a barber who owns his shop...
   - Check policies to see whether they include booth renters as additional insured parties. Some carriers do, others don’t.
   - If he chooses a policy that doesn’t cover renters, encourage him to require a Certificate of General Liability Insurance and Errors & Omissions from renters before offering them a booth.

3. **How many employees work in the shop?** The number of employees (as well as the barbershop’s geographical location) affect whether the shop needs Workers’ Compensation Insurance.
   - Booth renters may not need Workers’ Comp (check state laws).
   - Sole proprietor shop owners may not need Workers’ Comp (check state laws).
   - If employees perform different tasks (for example, if someone is purely a secretary), make sure everyone is classified correctly to minimize coverage costs.

4. **Does the business qualify for a BOP?** Luckily, because of their relatively low risk profile, most barbershops qualify for a Business Owner’s Policy (BOP). BOPs combine General Liability and Property Insurance at a discounted rate.
Policies for Barbershop Businesses

Depending on the answers to the questions above, your barbershop client may benefit from the following policies:

- General Liability Insurance OR
- BOP (combined General Liability and Property)
- Professional Liability Insurance (Errors & Omissions)
- Workers’ Compensation Insurance

Finding Insurance for Barbershop Booth Renters

Booth renters, basically independent contractors, are exempt from Workers’ Compensation. However, the IRS and the US Department of Labor are cracking down on misclassification of employees, and the comparatively loose business practices in the salon industry have drawn attention. Your client needs to be very clear about who is an employee and who is a booth renter to avoid costly errors.

The IRS publication “Tax Tips for the Cosmetology and Barber Industry” lists the factors that determine whether a barber is an employee or a booth renter. If a barber does not fit the description of a booth renter, your client may be responsible for Workers’ Compensation coverage.
INSURANCE FOR DAY SPAS

Tranquility. That’s what day spas offer their customers. People step out of the hustle and bustle of everyday life for the serenity of a day spa. And if everything goes right, they come out refreshed and rejuvenated.

Considering how stressed people are these days, it’s no wonder the salon and spa industry is on the rise. Recent research from PRWeb indicates that day spas make up almost 80 percent of the 20,774 spas in the United States. And many of the occupations found in the day spas vertical are expected to grow faster than average. For example, the US Bureau of Labor Statics predicts that…

• Skincare services will grow by 40 percent.
• Massage therapy will grow by 23 percent.
• Manicurist/pedicurist professions will grow by 16 percent.

As individuals take advantage of the opportunities in the personal care and service industry, they’ll turn to you to figure out their small business insurance needs. Figuring out their risk profile, however, isn’t always easy. The services they offer have a major effect on the coverage they need.
Questions for Your Day Spa Clients

Every day spa is different, both in services offered and in daily operations. Get to know your day spa client by asking the following questions.

1. **Do you rent space in someone else’s spa?**
   Independent contractors, or “booth renters,” are common in the spa industry. Their insurance needs are very different from the spa owner’s.
   - Booth renters typically have less property than spa owners.
   - Booth renters may still want to have their own General Liability or Errors & Omissions Insurance in case the spa owner’s insurance doesn’t cover them.

2. **Do you own a spa that rents to independent contractors?**
   Spa owners have an extra set of concerns when they rent space.
   - They should look at policies that let them include booth renters as additional insureds. Some carriers allow this; others don’t. There may be a difference in price, so be sure to compare coverages.
   - If your client picks a policy that doesn’t cover renters, encourage them to require renters to have their own General Liability and Professional Liability before they enter a contract.

3. **How many employees work in the shop?**
   The number of employees affects how much Workers’ Compensation Insurance your client needs.
   - Depending on their state’s laws, booth renters may not need Workers’ Comp.
   - A spa owner without employees may be able to save money by opting out of Workers’ Compensation.
   - Spas can have employees who are receptionists, schedulers, and accountants, too. They may not need as much coverage as massage therapists and hair stylists, so be sure to categorize each employee correctly.
What Counts as a Day Spa?

“Day spa” seems simple enough to define. It’s a facility that offers spa services to customers on a day-use basis. But is “day spa” the right description for…

• A nail salon that offers waxing services?
• A business that provides Botox injections?
• A health club that includes massages with its dues?
• A beauty shop that offers hair weaves?

All of these businesses may use day spa in their names, but the services they provide require different types of insurance. More importantly, some require different, or even multiple, classifications.

For example, if a day spa offers yoga classes or personal training, it may need to be rated both as a fitness center AND as a spa. Finding coverage for this combination can be tricky because not many providers carry both types of insurance.

Another tricky example is medi spas. Again, the business may have the term “day spa” in its name, but if it offers non-invasive procedures under the supervision of a physician (e.g., laser treatments, Botox injections, cellulite reduction, and chemical peels) then it should be classified as a medical spa.
Finding Exposures in Day Spas

Day spa workers apply their talents for the health and wellbeing of their clients, but they work in an industry where customer expectations can be very high. Many services require some sort of direct physical contact and that creates risks. For example, consider some of the most common insurance claims made against spas:

- Muscle injury caused by a too-intense massage.
- Burns or scars resulting from an unsuccessful facial peel.
- Fungal infections triggered by unhygienic manicure tools.
- Infections due to overcut cuticles during pedicure.

These events may only cause minor injuries, but they will cause major headaches should the injured party decide to sue.

Most of your day spa client’s concerns can be addressed through...

- **General Liability.** This handout from the National Safety Council estimates that slips, trips, and falls account for nearly 8.9 million emergency room visits every year. Day spas that offer hydrotherapy, spa pedicures, or steams and saunas put themselves at increased risk for just this kind of accident and need the protection of General Liability.

- **Business Owner’s Policy.** Commonly called a BOP, this coverage takes General Liability and adds Property Insurance to cover their business space, furnishings, and expensive equipment.

- **Professional Liability.** Also called Errors & Omissions, Professional Liability covers the cost of defending against negligence claims. Spa services such as massage can put an employee in a room alone with a customer. While the nature of the treatment is professional, the intimate setting can cause misunderstandings that require additional coverage (e.g., with an Abuse & Molestation policy).

- **Workers’ Compensation.** Day spa employees can be on their feet for most of the day, use repetitive motions, or come into close contact with harmful chemicals. The potential harm to employees makes Workers’ Compensation Insurance an important part of a day spa’s risk management strategy.

Day spas are some of the most complicated risks to place for the personal care category. Be sure to ask your client plenty of questions to evaluate their risk exposure and determine what services make up the bulk of their income so you can classify them appropriately.
Beauty salons are little like a buffet. They provide a smorgasbord of services for their patrons, who might come in for a...

- Haircut.
- Hairstyle.
- Makeup session.
- Color treatment.
- Facial.
- Scalp treatment.

Not only can customers pick and choose from those services, but many salons offer a variety of hair removal and nail services. Plus, some beauty parlors sell shampoos, conditioners, and styling products.

That’s an awesome state of affairs for customers who can get all of their beauty needs taken care of in one location. But it can make finding the appropriate coverage for a beauty shop a little tricky. Let’s take a look at important scenarios you need to consider when identifying and covering exposures for a hair salon.
Questions to Ask Your Hair Salon Clients

One surprising attribute of the beauty industry is the number of self-employed hairstylists. According to the Bureau of Labor Statistic’s Occupational Outlook Handbook, nearly half of the nation’s 633,300 hairdressers, barbers, and cosmetologists were self-employed in 2012.

Some of the self-employed beauticians and hairstylists may own a salon, but others are independent contractors. The difference affects their insurance rates, so you’ll need to investigate your client’s business practices to ensure you are classifying them correctly. Consider asking...

1. **Do you rent a booth in someone else’s salon?**
   This may be the most important question you ask because the answer will establish your client as an independent contractor (“booth renter”) or a salon owner.
   - Booth renters often have less property than salon owners.
   - Booth renters may not be covered by the salon owner’s General Liability or Errors and Omissions policies. If they aren’t covered, they should carry their own.

2. **Do you rent out chairs or booths in your salon?**
   A salon owner takes on additional risk by having renters in the salon, even if those renters are not considered employees. If your client rents work stations to other stylists, you should...
   - Compare policies. Some carriers include booth renters as additional insureds, but others don’t.
   - Encourage your client to require Certificates of General Liability and Professional Liability before they rent out a chair. This is especially important if they pick policies that do not include booth renters.

3. **How many employees work in the salon?**
   The number of employees, plus the tasks each employee performs and the salon’s geographical location, affect the amount of Workers’ Compensation Insurance your client needs.
   - Some states let sole proprietors exclude themselves from the Workers’ Comp requirement. If your client is the business owner, they may be able to save money this way.
   - Salon owners may not have to carry Workers’ Compensation for booth renters. This depends on your client’s location, so check state laws.
   - Not every employee in a salon cuts hair. Salons also employ receptionists, accountants, and junior stylists or trainees. All positions need to be classified correctly to minimize coverage costs.

You can find guidelines for determining who is an employee and who is a booth renter in this IRS publication, “Tax Tips for the Cosmetology and Barber Industry.”
What Characterizes a Hair Salon?

Correctly classifying your client’s risk is a key component to getting them adequate insurance, but classifying hair salons can be confusing even for the most seasoned professional. Your client may call their business a...

- Beauty parlor.
- Beauty salon.
- Hair salon.
- Hair stylist shop.
- Hairdressing salon.

Don’t let the names confuse you; the **NAICS code** for each of these is the same. Basically, if your client cuts, styles, or colors hair, they are a beauty salon – and that includes salons that focus on braids, weaves, and extensions. They can also be classified as a beauty salon if they offer facials or nonpermanent makeup application.

The one exception is barber shops. Barber shops offer basic haircutting services to a male clientele. That gives them a different classification.

Understanding your client’s services not only helps you classify their risk, but it also helps you determine the types of policies they need. Consider, for example, the...

- Harsh chemicals used in relaxers and perms.
- Hours it takes to put in hair extensions or weaves.
- Potential for an allergic reaction to a new lotion.
- Heat from hair dryers and hot wax.
- Amount of equipment required for every service.

Even though hair salons offer such disparate services, most find that basic commercial insurance will cover their assets. The policies include...

- **General Liability** to cover their expenses if a customer claims they were injured in the salon.
- **Property Insurance** to protect their salon and the equipment in it.
- **Professional Liability** to pay for the cost of a negligence claim.
- **Workers’ Compensation** to compensate employees who are injured on the job.

Beauty salons often qualify for a Business Owner’s Policy, or BOP, which bundles their GL and Property Insurance into one convenient and affordable package.
INSURANCE FOR MASSAGE THERAPISTS
Gone are the days when massage was considered a luxury for the rich and famous. Today, massage therapists work anywhere and everywhere. You’re just as likely to see them in fitness centers and offices as you are to see them in spas and country clubs. Even airports offer a massage therapy chair for a quick rubdown between flights.
As people learn more about the health benefits of massage therapy, the profession is expected to grow. According to the US Bureau of Labor Statistics, there were 132,800 massage therapists in the United States as of 2012. That number is expected to grow **23 percent** by 2022.

But there’s an even more interesting stat about this occupation. Of those 132,800 massage therapists, approximately **46 percent** were self-employed. Some of those therapists may have their own studios, rent space in a spa, or travel to customers’ homes or businesses. A few may even qualify as independent contractors. Each arrangement carries unique risks to consider.
Questions to Ask Massage Therapist Clients

A massage therapist’s work might seem obvious at first, but the profession incorporates a wide variety of business practices that influence their insurance requirements. You’ll want to find out as much as you can about your client’s day-to-day operations. Start by asking…

1. **Do you rent space in another person’s spa?**
   This answer has a major effect on insurance rates, so ask it first.
   - Often called “booth renters” in the spa industry, massage therapists who rent tend to have less property than spa owners.
   - Booth renters may not be covered by the spa’s General Liability or Professional Liability Insurance. If they’re not, they should carry their own.

2. **Are you a spa owner who rents to massage therapists?** Same idea, but the considerations for an owner are a little different. You’ll want to…
   - Look for policies that include booth renters as additional insureds. Not every policy allows this, but your client will appreciate having a choice.
   - If your client chooses a policy that doesn’t cover renters, advise them to require a Certificate of General Liability Insurance and Errors & Omissions before they rent.

3. **Do you currently carry Professional Liability Insurance?** Any professional can be accused of negligence, but the physical contact and private nature of massage makes Professional Liability coverage especially vital.
   - Encourage your client to add an Abuse and Molestation endorsement to the Professional Liability coverage.
   - The endorsement offers coverage even if the allegations are without merit.

4. **Do you work out of your home?** Many massage therapists set up a studio in their home without realizing that their Homeowner’s policy probably does not cover their business assets. If it doesn’t, you can suggest…
   - A rider to their Homeowner’s Insurance. This is the least expensive option, but it might not be enough coverage for the number of customers visiting their studio.
   - An In-Home policy. A step up from a rider, an In-Home policy covers their liability and property, and it may include lost income protection.
   - A Business Owner’s Policy, or BOP. Because it combines GL and Property Insurance, a BOP may be their best option for getting adequate coverage at a reasonable price.

5. **Do you drive to clients’ locations?** Sometimes massage therapists pack up their massage table and drive to their customers’ homes or offices – often in their personal vehicles. Unfortunately, most carriers consider personal use and commercial use significantly different risks when insuring automobiles.
   - You can suggest Commercial Auto or Hired and Non-Owned Auto Insurance to protect their assets when they use their car for work.
   - Commercial Auto Insurance can be purchased as a standalone policy or added to a General Liability policy.
How to Classify Massage Therapy

If you’ve looked at the NAICS codes, you may have noticed that “massage therapist” appears under “Miscellaneous Health Practitioners” and “massage parlors” fall under “Other Personal Care Services.” That’s because people go for massages for different reasons. For example, a person might seek a massage because…

- A doctor prescribed the treatment.
- A chiropractor recommended it.
- They need to relax.
- They want to pamper themselves.

The first two on the list represent massages given for rehabilitation and would most likely be administered out in the open in a well-lit room. They may also be covered by health insurance. The last two are examples of “restorative massage.” The customer’s experience in those cases would probably be the exact opposite of the first.

It would be great if we could just say the first two are classified as healthcare and the last two as personal care, but it isn’t that simple because some carriers use their own codes or classifications. The key is to be aware of the difference and to keep asking questions so you can get it right.

Whatever the classification, massage therapists need coverage for the exposures that go hand in hand with their jobs, such as…

- Errors and Omissions to pay for their defense when a customer claims negligence.
- General Liability to safeguard assets when a customer has an accident.
- Property Insurance to repair and replace towel warmers, massage tables, and office space damaged by covered events.
- Workers’ Compensation to reimburse employees who are injured on the job.
INSURANCE FOR MEDICAL SPAS
INSURANCE FOR MEDICAL SPAS

According to the International Spa Association (ISPA), 2013 was a banner year for the spa industry. Seeing as most businesses are only beginning to recover from the recession, the resiliency of the spa industry is impressive. Consider, for example, that spas saw a …

- **2.5 percent** increase in visits.
- **2.5 percent** increase in revenue per visit.
- **5 percent** increase in total revenue.
Consider, too, that the number of spa visits reached a record high 164 million, and you can see that business is booming.

One key area seeing tremendous growth in recent years is medical spas. ISPA counts 1,750 medical spas across the United States. In 2003, there were only 471. Experts are torn on whether or not that trend will last, but the general vibrancy of the industry coupled with healthcare providers’ current need for alternative revenue sources indicate potential for continued growth.

Medical spas have seen 370% growth since 2003.

Questions to Ask your Medical Spa Clients

The first step toward getting your client covered is getting to know their business – both the services they offer and the practices they follow. When it comes to getting to know a medical spa client, you’ll want to ask questions like…

1. **What procedures do you perform?** This question is essential to understanding your client’s insurance needs because the services define the risk and affect their rates.
   - If your client performs minimally-invasive procedures, like injections, or non-invasive procedures, like laser treatments or chemical peels, they are a medical spa – even if they also offer traditional spa services.
   - These procedures are medical procedures and must be supervised by a physician. (If they’re not physician-supervised, the medi spa may not be able to get coverage.) This point cannot be emphasized enough.

2. **Do you have other allied health professionals on staff?** Physicians can delegate procedures to other allied health professionals, like nurses, nurse practitioners, and physician assistants. When they do, they need to…
   - Know whether the procedure falls under the person’s scope of practice.
   - Actively oversee and evaluate the person’s performance.
   - Understand that they can be held liable for the person’s negligence.

3. **Do you currently have Professional Liability (Malpractice) Insurance?** Having sufficient Professional Liability is always important but is especially so for medical spa workers because…
   - Patients have high expectations for the quality of care and are more likely to sue if something goes awry.
   - Referrals between a medical office and a medi spa can be considered “joint treatment,” which means the one can be held liable for the other’s negligence when they are working together.

You can read more about the risks for your medical spa client in the Day Spa Association’s Key Legal Issues for Medical Spa and Aesthetic Medical Practices [PDF].
What Defines a Medical Spa?

Medical spas are the Frankenstein’s monster of the health and wellness community – minus all the terror and unpleasantness. They provide noninvasive procedures that are a step above a simple eyebrow wax but a step below sucking out fat cells with a hose. The defining characteristic, according to the National Coalition of Estheticians, Manufacturers / Distributors, and Associations, is offering non-invasive or minimally-invasive procedures under the supervision of a licensed healthcare provider. In fact, some physicians offer medical spa services, such as collagen injections, out of their offices.

In addition to traditional spa services, a medical spa might offer...

- Botox injections.
- Laser treatments.
- Sclerotherapy.
- Chemical peels.
- Cellulite reduction.

An office that provides invasive procedures cannot be classified as a medical spa. Procedures and features that indicate a risk is NOT a medical spa include...

- Permanent makeup services.
- Colon cleanses.
- Liposuction.
- Overnight lodging.
- Exercise equipment.

A medical spa may sell products, such as dietary supplements or essential oils. But if those products are sold under the insured’s name or the dietary supplements exceed 25 percent of sales, product exclusions are often added.

Procedures can go wrong and technology can fail. When they do, the results can be written all over an unsatisfied client’s face. That’s why a medical spa owner needs...

- **General Liability** for slips and falls on their property.
- **Errors and Omissions Insurance** (aka Professional Liability) in case a client sues for negligence.
- **Property Insurance** to protect their expensive medical equipment.
- **Workers’ Compensation** to cover employees injured at work.

Many medi spas qualify for a Business Owner’s Policy, or BOP, which bundles their GL with their Property coverage. BOPs are usually more affordable than purchasing these policies separately.
INSURANCE FOR NAIL SALONS
INSURANCE FOR NAIL SALONS

A quick spin around the Internet reveals that the popularity of nail services is on the rise. Just the number of Pinterest boards dedicated to the latest polish trends and cute nail art can tell you that. Even men are stopping by the neighborhood nail salon for a simple maintenance manicure. And why not? A mani / pedi is one of life’s most affordable little luxuries.

The US Bureau of Labor Statistics predicts this trend will continue. According to its latest Occupational Outlook Handbook, manicurist and pedicurist positions are projected to grow faster than average between 2012 and 2022. Add to this that 27 percent of nail care specialists are self-employed, and you can see the potential this market holds for your agency.
Questions for Nail Salon Clients

The personal care industry – nail care specialists included – tends to be a little more fluid than others. Salon owners like to add innovative services to draw new clients or rent space to independent contractors. These practices affect their insurance rates, so you’ll want to investigate how your client runs their business in order to get them sufficient coverage. Start by asking…

1. **What services do you provide?** This is the most important question you can ask your client. Nail salons are notorious for offering services beyond the regular mani / pedi, and those extra services can have a big effect on the type of insurance they need.
   - Some services, like chemical peels and laser treatments, require a physician’s supervision and are classified as “medical spa services.”
   - If your client has medi spa services, look for carriers that offer nail salon and medical spa insurance to simplify your client’s coverage. You can classify the business by percentages based on how much revenue it makes from each type of service.

2. **Do you rent a booth from a salon owner?**
   Booth renting is common in the personal care industry, and the difference between employees and independent contractors can have a major effect on your client’s rates.
   - Booth renters tend to have less property than salon owners.
   - Booth renters aren’t always covered by the owner’s General Liability or Professional Liability policies. Encourage clients who rent a booth to carry their own.

3. **Do you rent space to independent contractors?**
   Independent contractors (“booth renters”) may bring clients, but they also bring more risk. If your client is the salon owner who rents out booths…
   - Help them find policies that include booth renters as additional insureds; OR
   - Encourage them to require a Certificate of Insurance for General Liability and Errors and Omissions before they rent a booth.

4. **How many employees work in the salon?** The number of employees and the jobs they perform affect whether the salon needs Workers’ Compensation coverage.
   - More employees means more Workers’ Comp is required. But some states let the salon owners exclude themselves from coverage.
   - Booth renters are typically excluded from Workers’ Compensation, especially if they’re classified as independent contractors.
   - Some employees, like receptionists and schedulers, enjoy a lower risk profile. Be sure to classify employees correctly to keep costs low.

Check out the IRS publication, “Tax Tips for the Cosmetology and Barber Industry.” It can help you determine who is a salon owner, an employee, or a booth renter.

- 27% of manicurists are self-employed. Many rent booths in larger salons. Be sure to ask how your clients operate!
Classifying a Nail Salon Risk

The main difficulty in placing this particular risk is making sure you classify it correctly. Your client may call themselves a nail salon, but many offer other services as well, such as…

- Chemical peels.
- Collagen fillers.
- Botox injections.
- Laser treatments.
- Ultrasonic cellulite reduction.

Is a nail salon that offers these services still a nail salon? The answer, at least for insurance purposes, is to look at the procedures and percentages.

The procedures listed above are examples of services that would classify a business as a medical spa. If your client offers these or similar non-invasive or minimally invasive procedures under the supervision of a physician, their policy needs to be written for two types of coverage based on the percentage of sales or services. Many businesses carry both nail salon and medical spa insurance, so finding appropriate policies shouldn’t be too hard.

Once you know the type of services your client provides, you can figure out the kind of coverages to recommend. For example, some services may require…

- Expensive equipment (e.g., spa chairs and towel warmers).
- Potentially harmful chemicals, such as acetone and formaldehyde.
- Employees using repetitive motions or working in awkward positions.

To protect against these exposures, nail salon owners should consider purchasing…

- **Commercial Property.** The salon equipment, plus premises and furnishings, are protected by Property Insurance, which pays to repair or replace property when it is damaged by a covered event.

- **General Liability.** If a customer slips on the salon’s slick floor, General Liability pays for their injuries or compensates the owner for expenses incurred in a third-party lawsuit.

- **Professional Liability.** Also known as Errors & Omissions, Professional Liability covers a manicurist against customer claims of negligence.

- **Workers’ Compensation.** Also known as Workman’s Comp, this policy compensates your client’s employees who are injured on the job.

Despite their exposure to chemicals, many nail salons are considered low-risk and qualify for a Business Owner’s Policy (BOP). Carriers bundle Property and General Liability into a single package, called a BOP, so they can offer the coverage for a lower rate.
INSURANCE FOR TANNING SALONS
Tanning salons were some of the hardest-hit personal care businesses during the Great Recession. While most of the salon and spa industry took a little dip, tanning salon revenues saw …

• An average decline of **one percent** between 2007 and 2012.
• A **3.3 percent** decline in 2008.
• A **6.1 percent** decline in 2009.
Those numbers are particularly dismal when you consider that the salon and spa industry as a whole experienced only a net decline of 0.01 percent in 2008 and 2009, according to [PDF] the Professional Beauty Association.

The recession accounts for some of the drop-off, but health concerns played a part, too. In response to client concerns over cancer, tanning spas incorporated more sunless tanning options, such as spray-on and airbrushed tans. Some added retail options and more spa-like services to increase their customer base. And now, with unemployment declining, experts predict a turnaround for this niche.

Unfortunately, the turnaround does not make finding insurance for a tanning salon any easier. Standard markets do not have an appetite for tanning salons, so you’ll need to look to nonstandard carriers for insurance – something Insureon Solutions universal application does for you automatically.
What to Ask a Tanning Salon Client

If you’ve never worked with a tanning salon client, and sometimes even if you have, you might be surprised at some of their exposures. Here are some questions to ask to help identify their risks...

1. **What type of artificial tan do you offer?** The different artificial tanning methods carry different risks that may affect your client’s insurance rates.
   - Spray tanning is a new industry and requires putting chemicals on the customer’s skin. This makes carriers hesitant to cover it.
   - The intimate nature of airbrushing brings up privacy issues and may increase the need for Professional Liability Insurance.

2. **What percentage of your revenue comes from tanning services?** Standard markets typically don’t insure tanning salons, but there are some ways around that.
   - Some specialty markets insure tanning salons.
   - Some standard carriers will insure nail salons and day spas that offer tanning but make the bulk of their income from non-tanning services.

3. **Do you drive to clients’ locations?** Mobility is a new feature in the tanning industry. Practitioners drive their airbrush equipment to their customers’ houses – often in their personal vehicles. Unfortunately, most carriers consider personal use and commercial use significantly different risks when insuring automobiles.
   - A mobile tanning salon needs Commercial Auto (or Hired and Non-Owned Auto) even if the owner is driving their personal auto to customers.
   - Commercial Auto Insurance can be purchased as a standalone policy or added to a General Liability policy.
How to Classify a Tanning Salon

Sometimes tanning salons offer spa services; sometimes spas offer tanning. Luckily, figuring out which kind of business you’re dealing with is not that hard. Basically, insurance companies are going to classify the business based on its percentage of revenue from tanning operations. A tanning salon gets most of its income from some form of artificial tanning – tanning beds, spray-on tans, or airbrushed tans – while other businesses make their money primarily on other services. Tanning salons might also offer some tanning-related merchandise or even spa services, such as waxing or massage, but those won’t be the bulk of their sales.

Most standard carriers decline tanning salons, but some will consider smaller operations or spas that only get a small portion of their revenue from tanning. Spray-tanning risks are almost always placed in a specialized market.

Tanning salons can be a difficult risk to place. Contact us if you need assistance navigating the market.

Common Concerns for Tanning Salons

Tanning salon owners have a lot of the same concerns of any salon or spa owner. For example, they should plan ahead for…

• **Slips and falls.** The number of customers who come in and out of their storefront increases the likelihood of someone having an accident. General Liability Insurance protects them if a customer sues for their injuries.

• **Property damage.** Not only does a salon owner need to protect their premises, but their tanning beds and airbrush equipment are essential and expensive, making Property Insurance an important policy for them.

• **Negligence suits.** What if an employee sprays chemicals in a patron’s eyes? Or allows a customer to burn? These situations can result in a lawsuit that isn’t covered by GL and make Professional Liability (a.k.a. Errors and Omissions Insurance) a smart investment.
Hair salons and day spas represent excellent growth opportunities for your insurance agency, but covering these businesses isn’t as simple as suggesting General Liability Insurance and watching the money roll in. Manicurists, massage therapists, and hairstylists operate in a peculiar industry, and getting appropriate coverage requires some knowledge of how they work. Be sure to ask plenty of questions about…

- The services they provide.
- The percentage of income each service yields.
- The number of renters they have onsite.

The more you know, the easier it will be to write this risk. And if you really want to make it easy, join Insureon Solutions. As a member, you’ll get access to multiple top-rated markets so you can quote personal care clients with speed and confidence.

Become a member today!