

Joint Ventures

A joint venture is an entity formed by two or more businesses in order to pursue a specific purpose for a specified period of time. While some states require joint ventures to be legally filed, other states recognize any entity that meets the definition. A partnership differs from a joint venture as the former lasts indefinitely and its purpose may change.

A joint venture can consist of sole proprietors, corporations, partnerships or any combination of these entities. Such ventures often bring together two areas of expertise to be applied to a single objective in order to capitalize on that combined expertise for a specified time period. JVs may also consist of entities that are, typically, rivals in the same market that may join forces for a commercial activity that they are unable to pursue alone.

Insurance policies generally do not cover a joint venture (JV) unless the JV's name is shown on the policy. There is no automatic coverage for a business that begins a joint venture during a policy term. For instance, two contractors are interested in bidding on a major project. They decide that it may be beneficial to bid on the project as a single entity. In this case, the joint venture is recognized as a distinct legal entity formed for pursuing the project. Unfortunately, it's equally common for businesses to fail to recognize that they have formed a JV. The oversight could result in the joint venture suffering a loss that isn't covered by insurance.

Consider contacting an insurance agent to discuss your possible coverage needs which may include general liability, automobile liability and, if the joint venture has employees, workers compensation insurance. It is also important to determine if the joint venture will need insurance to continue after the JV ceases to exist. While JVs can be extremely beneficial to all participants, they also have the potential for legal and operating problems that are unforeseen. JVs often involve complex contracts and non-disclosure agreements. The coverage issues are unique to each joint venture and should be carefully addressed by legal counsel and the insurance agent in cooperation with the joint venture principals.

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