

If you did not know it already the entertainment industry is a different type of beast with which to contend. No matter which sub-industry in which you operate, each of these areas has undergone significant transformations. As you know, the advent of digital distribution music sites such as, itunes and cdbaby have changed the way deals are being made. Independent artists must have a product that is ready to move as labels are not investing in the marketing and packaging of artists as was done in the past. Accordingly, some artists prefer to remain independent and start their own online digital distribution sites permitting them to get their music out and others too. It's fine if you do, but don't forget that the intellectual property concerns that are raised by virtue of consumer uploads and downloads of music to your online record company create risk for you as the owner. Therefore, there are insurance companies that solely focus on risk management for online music businesses.

You need insurance coverage outside of the basic general liability insurance that all businesses must have. Also, in addition to, errors and omissions coverage (E&O), you also need cyber liability coverage. Obtaining insurance for this type of business is detailed and may be lengthy in terms of the process of evaluating how your online music company operates. The insurance broker will evaluate a number of areas, many of which are technology based, which must be in place in order to assess your company's risk:

- Your overall website
- Your legal policies such as your Terms of Service (TOS)
- Your website log in controls
- The firewalls

They, of course, also want to know what software programs that you are using to make and distribute music, what type of equipment you have, and other items related to the office space, the studio, and your artist roster.

Insurance for your online music distribution company can be costly. Some actually need seed capital just to pay the annual premiums. Make sure that your site and operational controls are well established and follow the legal and regulatory guidelines. Consult an attorney to help you draft the appropriate disclaimers, terms of use, and implement the necessary technological controls to protect you and to assist in the evaluation by the insurance broker.