

The Montana Small Business Development Center presents:

# **BUSINESS INSURANCE 2.0**



Funded in-part through a Cooperative Agreement with the U.S. Small Business Administration and the Montana Dept. of Commerce.

#### Business Insurance 2.0



COGSWELL INSURANCE AGENCY

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## Introduction







## Welcome



#### Ground Rules:

- Think about your business and how insurance would apply
- Ask questions

## Objectives



- 1) Identify the common types of insurance requirements for a small business
- 2) Identify other types of insurance a small business should consider to avoid gaps
- 3) Explain why insurance is important for a small business

## Insurance for a Small Business

- Five key areas:
  - 1) Types of business insurance one should consider
  - 2) Reasons for business insurance
  - 3) Location-related considerations
  - 4) Selecting a policy, agency, and agent
  - 5) What to do after the purchase



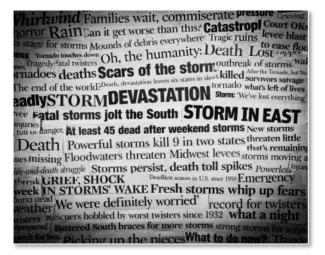
## Examples of Different Types of Business Insurance:

- Property Insurance
- •Liability Insurance
- Professional Liability Insurance
- •Business Auto Insurance
- Workers Compensation
- •Umbrella
- •Key Person
- •Surety Bonds



## Examples of Property Insurance:

- Commercial Building
- Business Contents
- Inland Marine/Equipment
- Installation Floater
- Builders Risk



#### Lender or Investor-Required Insurance

When financing, a lender or investor mayrequire you show insurance protecting:

- Business assets (building, property)
- Cash flow provision for interruption of business (e.g., reconstruction, repairs)
- In the event of owner's disability or death



## Examples of Liability Insurance:

- General Liability Insurance
- EPLI/Cyber
- Crime
- Professional/E&O Liability Insurance
- Directors & officers
- Liquor Liability
- Business Auto
- Umbrella

## Workers Compensation



Protects against illnesses and injuries at work.

- Pays for rehabilitation and retraining
- Addresses payments to beneficiaries and medical payout limits
- Required!
- Private or state administered



# "Key Person" Policy



Think about and these discussion points

- 1. Do you have a list of names who could run your business or that you would trust to do so, if you were ill for an extended period of time?
- 2. Who would take over your business in the event of your death.
- 3. Do you have a plan for your business in the event of your death?
- 4. Is there a family member or trustee named to liquidate the assets?

# "Key Person" Policy



- 5. What about employee ownership?
- 6. Would selling to the employees provide income to a spouse not involved in the business?
- 7. Do you have life insurance to cover all liabilities of the business?

## Surety Bonds

A surety bond is issued by a third party, known as a surety, as a guarantee the second party will fulfill its obligations or meet certain laws. If the second party fails to do this, the bond "surety" covers the damages.

- Required for some licenses or permits (e.g., car dealer, construction contractor)
- Protection for consumers and for government
- "Bid bond" may be required to submit a bid to the government



#### **Discussion Point:**

List some examples of work-specific insurance for these industries:

- Restaurant –
- Construction company
- Lawyer-
  - Auto repair shop-



## Reasons for Insurance

Why is it important to have insurance?

- Manage the risks involved in business
- Protection of assets cash or property
- Protection from loss of income
- Maintain continued financing
- Protection from injuries and damages received or inflicted



## Reasons for Insurance

- Why is it important to have insurance?
  - Legal and regulatory requirements
  - Retention of employees
  - Business continuity recovery from disasters, systems continuations, maintains cash flow
  - Protection from errors



## Location-Related Considerations

Business location affects type of policy

• Home-based (Add-on to homeowner's or separate policy)

Warning: Your traditional homeowner's insurance may NOT cover damage causedby your home-based small business!

 Retail/Business Owners Policy (BOP) – one or more locations, inventory theft, credit card theft, personal vehicle for deliveries

## Location-Related Considerations

Business location affects type of policy

- Commercial larger business, greater coverage than Retail/BOP
- Vendor kiosks at festivals, fairs, full-time or shorter periods



## Selecting a Policy

#### Weigh the costs to insure the risk

- Does it make sense?
- Could you cover it without insurance?
- Consider policy costs with deductibles and coverage limits
- Is the coverage sufficient?
- Does the policy provide for growth?
- Are there time constraints on modifying coverage?

Know what's **not** covered!



## What to Do After the Purchase

- Keep policies easily accessible
- Keep phone numbers readily available
- Maintain insurance-related procedures in business continuity plan
- Review policies
  periodically
- Meet with agent from time-to-time



## What to Do After the Purchase

- Financing no longer needed? Make beneficiary changes
- Handle credit responsibly premiums are affected by credit worthiness
- Get credit or refund for cancellations
- Insurance Audits General Liability and Workers Compensation



#### Assuming Risk is Part of Doing Business

- Going outside is a risk, but so is staying in.
- Going out may require boots, coat, or an umbrella for protection, but staying in can result in missed opportunities.
- Business insurance eases the burden of risks, so owners can "go out" to…



focus on business growth.

## Key Points to Remember

- Paying Insurance premiums on time will keep your business reputation intact
- Professional licensing may require additional insurance or surety bonds
- Lenders and investors require insurance protection from risks involved with doing business

## Key Points to Remember

- Insurance
  - Minimizes the impact risks can have on your ability to continue operations
  - Impacts continued financing
  - Helps retain employees
  - Provides protection from liabilities
- Your location, facilities, autos and type of business operations determines insurance needs

## Key Points to Remember

- Evaluate your risks, ask questions, compare policies and agencies
- Keep accurate records for claims
- Keep emergency contact information in an accessible place
- Update beneficiaries, obtain releases and maintain adequate coverage

#### Summary

• What final questions do you have?



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## Conclusion

#### You learned about:

- Small business insurance requirements for different types of businesses.
- Insurance required for the protection of lenders and investors
- Other types of insurance to lessen risks of disaster, liability, loss of income, injuries and death

#### Conclusion

- The importance of insurance for your business
- Differences in insurance policies forvarious types of facilities and locations
- Comparing policies, agents and providers
- What to do before you buy, while you have the policy and after the purchase