



The Montana Small Business Development Center presents:

BUSINESS INSURANCE 2.0

Business Insurance 2.0



Introduction



Nationwide®



A CRC GROUP COMPANY



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A Member of the Tokio Marine Group



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



Continued ...

Lender or Investor-Required Insurance

When financing, a lender or investor may require 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?

Continued ...

“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



Continued ...

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 caused by your home-based small business!

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

Continued ...

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



Continued ...

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

Continued ...

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

Continued ...

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?



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

Continued ...

Conclusion

- The importance of insurance for your business
- Differences in insurance policies for various 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