



# BUSINESS INSURANCE

## AN INTRODUCTION FOR SMALL BUSINESSES





# Pikes Peak Small Business Development Center

FREE CONSULTING | PRACTICAL TRAINING | BUSINESS RESOURCES

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*Funded in part through a cooperative agreement with the U.S. Small Business Administration*



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Jennifer Walker is the Diversified Practice Group leader at HUB International whose insurance career spans over 20 years. She is the lead marketing and carrier relationship manager for her team and handles a large book of clientele to include public entities, healthcare and contractors by providing innovative risk and insurance solutions.

**HUB**

# Business Insurance 101: What you Need to Know

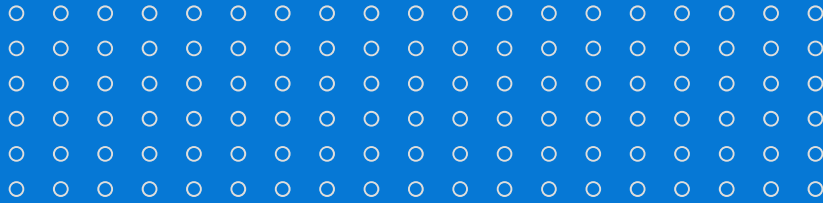
Presented on May 19<sup>th</sup>, 2020



# Agenda

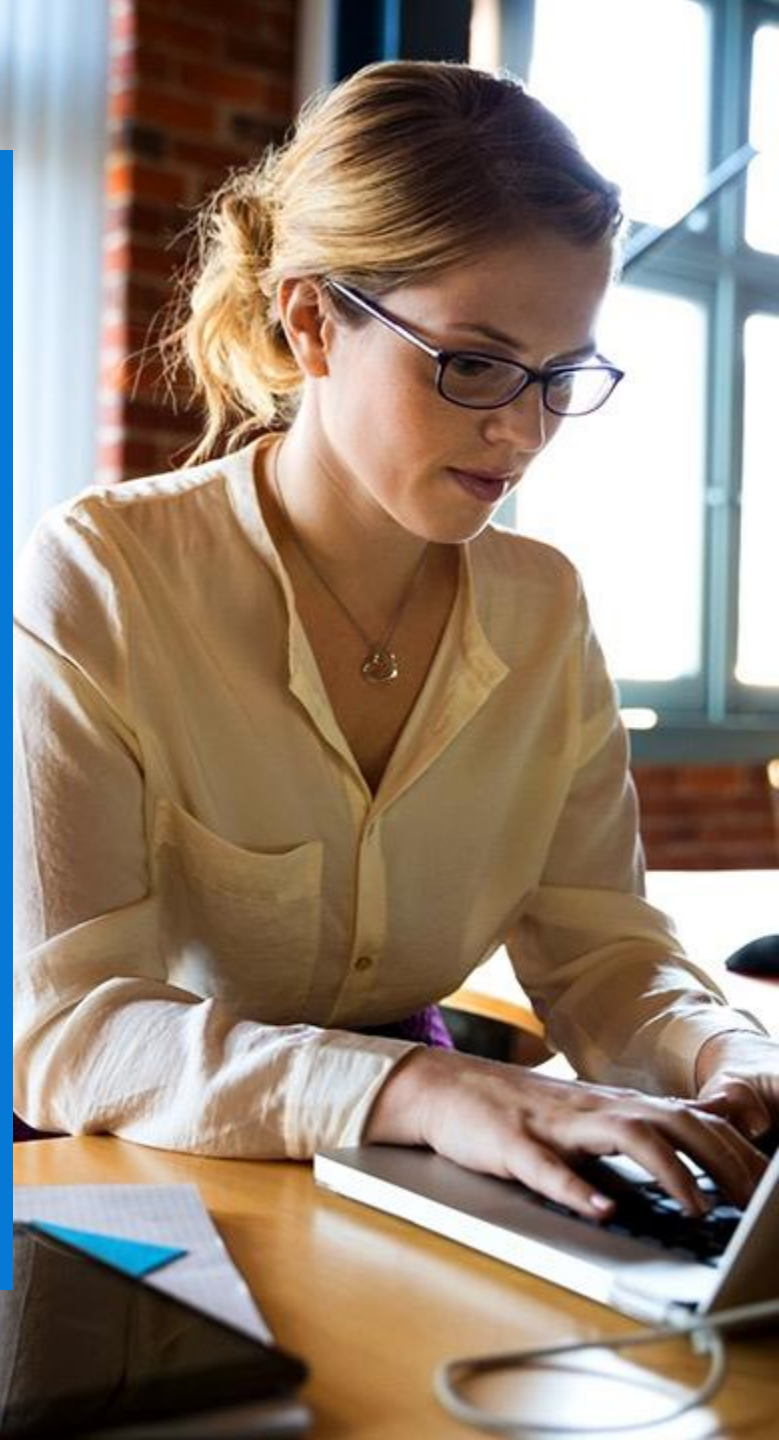
- 1 | Purpose of Insurance
- 2 | The Basics of Property & Casualty Insurance
- 3 | How Do You Control Costs?
- 4 | Frequently Asked Questions!

# 1



## Purpose of Insurance

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# What is the purpose?

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- The basic purpose of insurance is to transfer risk:
  - Reduce financial uncertainty
  - Make accidental loss manageable
  - You pay a premium to an insurance carrier in exchange for the assumption of risk and a promise to pay in the event of a loss
- Financial responsibility requirements:
  - The U.S. States require auto insurance coverage to protect the public and its property
  - Banks or lenders require property insurance to cover the amount of the mortgage or loan
  - To obtain certain licenses/permits the government requires general liability





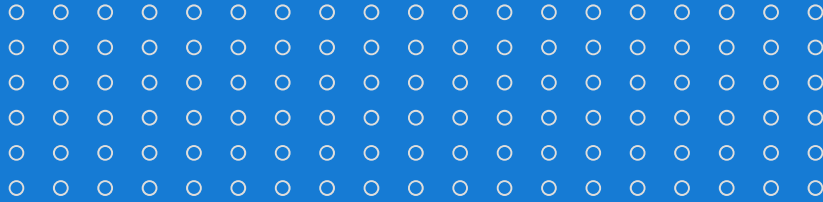
## What is an insurance policy?

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A contract between your business and the insurance company which determines the claims they are legally required to pay

- The contract (policy) is typically for a 12 month period
- The policy outlines what is and is not covered. (TIP- if something isn't listed as excluded it very well may be covered)
- The policy may or may not be auditable
- Pay close attention to the declarations page to be sure the business name and address, effective dates and premium are correct
- Be sure you understand your responsibility as a policy holder

# 2



## The Basics of Property & Casualty Insurance

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# Basic Property & Casualty Coverages





- Property Insurance- Protects the things you OWN



- Casualty Insurance- Protects you financially in the event that someone sues you




# Basic Types of Insurance

- Property  Bank or lender may require to protect their investment
  - Buildings- No foundations or land value
  - Business Personal Property- Covers furniture, fixtures and equipment used to conduct business (generally items that can be moved without damaging the building)
  - Inland Marine- Covers mobile equipment
- Casualty
  - General Liability- Provides coverage for bodily injury or property damage to a third party as a result of your business operations  may be required to obtain licenses or permits
  - Auto Liability- Covers injuries or damage to a third party that resulted from the operation of a motor vehicle 
  - Workers Compensation- Provides wa  cement and medical benefits to employees injured in the course of employment
  - Umbrella- Provides additional coverage above the limits of the general liability, auto liability and employers liability and is designed to help protect from major claims/lawsuits

## Other Types of Insurance

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- Professional Liability  only certain professions such as malpractice are mandatory
  - Provides coverage for professional advice and service providing individuals or companies and defends against negligence claims made by a third party for failure to perform. (there may be an element of 'financial loss' suffered by the third party)  
Typically this coverage is excluded under general liability.
- Cyber Liability
  - Provides liability protection against a data breach in which a customer's information is exposed or stolen by a hacker who has gained access to your network. It can also provide protection against phishing schemes designed to extort money. (social engineering)
- Employment Practices Liability
  - Provides coverage against employee lawsuits alleging discrimination, harassment, wrongful termination and other employment related claims.

# Cost Factors for Insurance

- General Liability

- Payroll or sales
- Industry type- High or Low hazard?
- Claim history

- Auto

- How and where you drive
- Driver demographics
- Type of vehicle
- Driving record
- Claim history



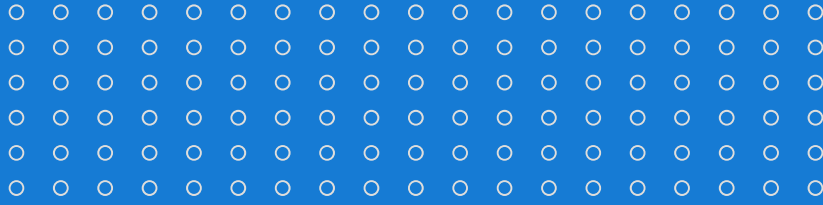
- Property

- Year built, construction type, occupancy, fire protection, sq. ft.
- Surrounding area
- Claim history

- Workers Compensation

- Industry type
- Payroll size
- Job classification of employees
- Claim history

# 3



## How Do You Control Costs?

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# How Do You Control Premium Costs?

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- Ask for Quotes
  - Not all carriers are created equal. Obtain options and compare the costs and coverages.
  - Some carriers provide discounts for providing multiple policies.
  - Do not wait until the last minute. Depending on the complexity of your business it may take some time for an agent to obtain quotes.
- Deductibles
  - Ask for deductible options to determine if taking a higher deductible makes sense.
  - Colorado businesses are now seeing percentage deductibles on property coverage (buildings) due to wind/hail losses over the past few years. Be sure you understand what that means and ask your insurance agent for a flat deductible option.
  - For older vehicles with no lender, does it make sense to insure for physical damage?

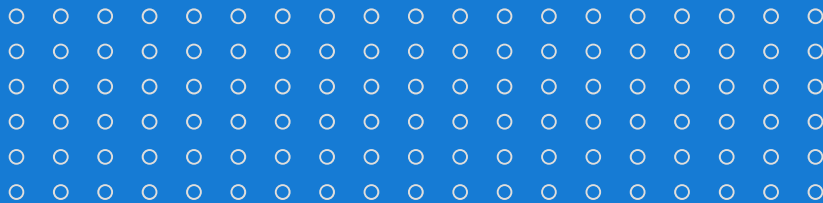


# How Do You Control Premium Costs?

- Minimize Risk
  - Safety training for employees and good risk management practices such as worker safety programs and driver training will help reduce the possibility of filing claims.
- Proper Classification
  - Higher risk categories are rated differently than lower risk categories. (think construction vs. retail) Be sure you are communicating your exposures correctly to your insurance agent/carrier.
- Review Policies Annually
  - Do not rely on a policy that automatically renews each year by paying the premium and moving on. Be sure to review the exposures and coverages with your agent to be sure the policy(ies) reflect any changes in your business.



# 4



## Frequently Asked Questions!

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### Will they pull my credit report?

Yes, although business insurance carriers are only allowed by law to use a specific type of data found on your credit report which includes:

- How many credit cards your company has
- How many outstanding loans and other debt your company has
- Your timeliness with which your company pays its monthly bills
- Collection activity, if any
- How long the credit history goes back
- On the bright side, it is against the law to deny an insurance policy based on the lack of history in one's credit report

It is important to note that under the law, your business insurance rates cannot increase if you do not have enough credit history to calculate a credit score, however, a bankruptcy can result in higher rates

### What if I have a claim?

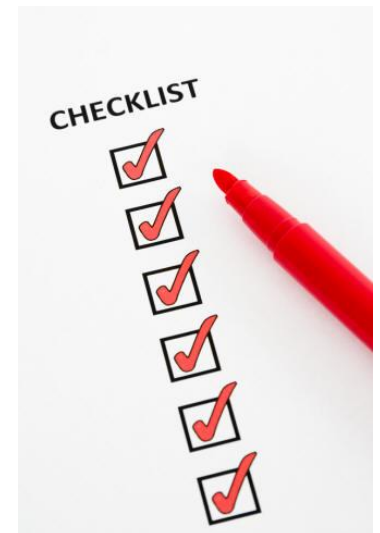
When an accident happens you want to act fast and know who to contact. Most carriers have an 800 number or online access to submit a claim. The sooner you open a claim the faster it will be resolved. If you receive a summons, subpoena or demand letter contact your insurance agent or carrier immediately as there are often deadlines for responding to these matters.

### What is a certificate of insurance?

This is a document issued by a broker or carrier that shows proof of insurance and summarizes the coverage types, limits and other pertinent insurance information and is normally issued to lenders, vendors or others as required by contracts or agreements.

How do I get Business Insurance? Following is a checklist of what is needed to obtain a quote:

- ✓ Business type, including the industry you are in, whether you provide a product or a service
- ✓ Business location, including physical address, whether you own or rent, and square footage
- ✓ Business entity, are you a sole proprietor, partnership or corporation? Do you have an FEIN?
- ✓ Date you began the business
- ✓ Date you want coverage to begin
- ✓ Estimated gross sales for the next 12 months
- ✓ Estimated payroll expenses for the next 12 months
- ✓ If your business uses a written contract, have an example available
- ✓ Information on any existing insurance coverage



## FAQ's- What about COVID-19?

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- ✓ Property Insurance: Most insurers include exclusion clauses for communicable diseases and epidemics/pandemics (think business interruption)
  - ✓ Business interruption policies usually pay out only if physical damage occurs to an organization's assets or operations - so coronavirus related claims may not be covered, but there is potential for future disputes on this issue.
- ✓ Workers Compensation: While workers compensation laws provide compensation for “occupational diseases” that arise out of and in the course of employment, many state statutes exclude “ordinary diseases of life” (e.g., the common cold or flu).
- ✓ Employment Practices Liability: We could see spikes in workers claiming they were not adequately protected by their employers against exposure to the virus brought about by their normal working duties. It is impossible to know at this stage how significant such claims could become.

## FAQ's- What about COVID-19?

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### **Diligence, Prevention, & Mitigation are Key**

- ✓ Following recognized practices to avoid exposures common to any respiratory virus will help to keep this threat in check.
- ✓ Proper planning can help protect your employees, customers, and your business.
  - ✓ Follow recommendations from the CDC and OSHA
  - ✓ Develop a Disaster Plan That Includes Pandemic Preparedness
  - ✓ Do you have a potential claim related to the virus? Put your carrier on notice.
  - ✓ If your business is not currently operating you may be able to temporarily reduce exposures in exchange for a reduction in premium, ask your agent!



# In Summary





# Thank you.

Questions?



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