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Managing Risk: Business Insurance Basics for Small Businesses

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<https://thewaldwickchamberofcommerce.com/>



About SCORE

As a resource partner of the SBA, we help small businesses by:



Providing free
business advice
and mentoring



Offering low or
no-cost business
training



Sharing free business
templates and
resources

Request a SCORE mentor at www.score.org/find-mentor

Your Presenter



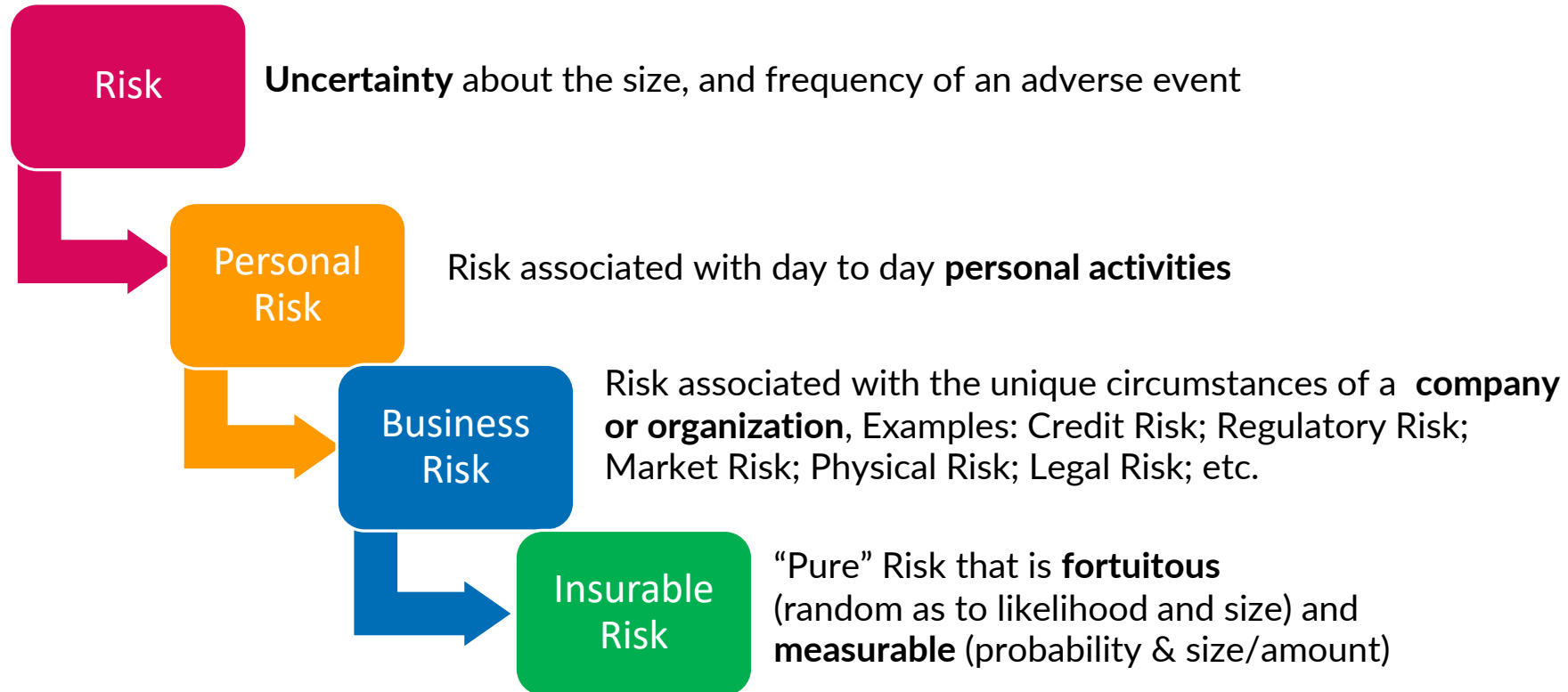
- **Pat Saporito** is a SCORE Certified Mentor and the Marketing Chair for the Northeast New Jersey Chapter. She is a consultant and data analysis expert. She is a member of the advisory board of the BI and Analytics Master's Program at Stevens Institute of Technology.
- Pat also teaches courses on practical applications of data and analytics for Stevens Institute of Technology and for RIMS, Risk & Insurance Management Society, as well as other organizations.
- Pat worked in the insurance industry for over 20 years. She is a Chartered Property Casualty Underwriter and a former claims adjuster.

Small Business Insurance Needs

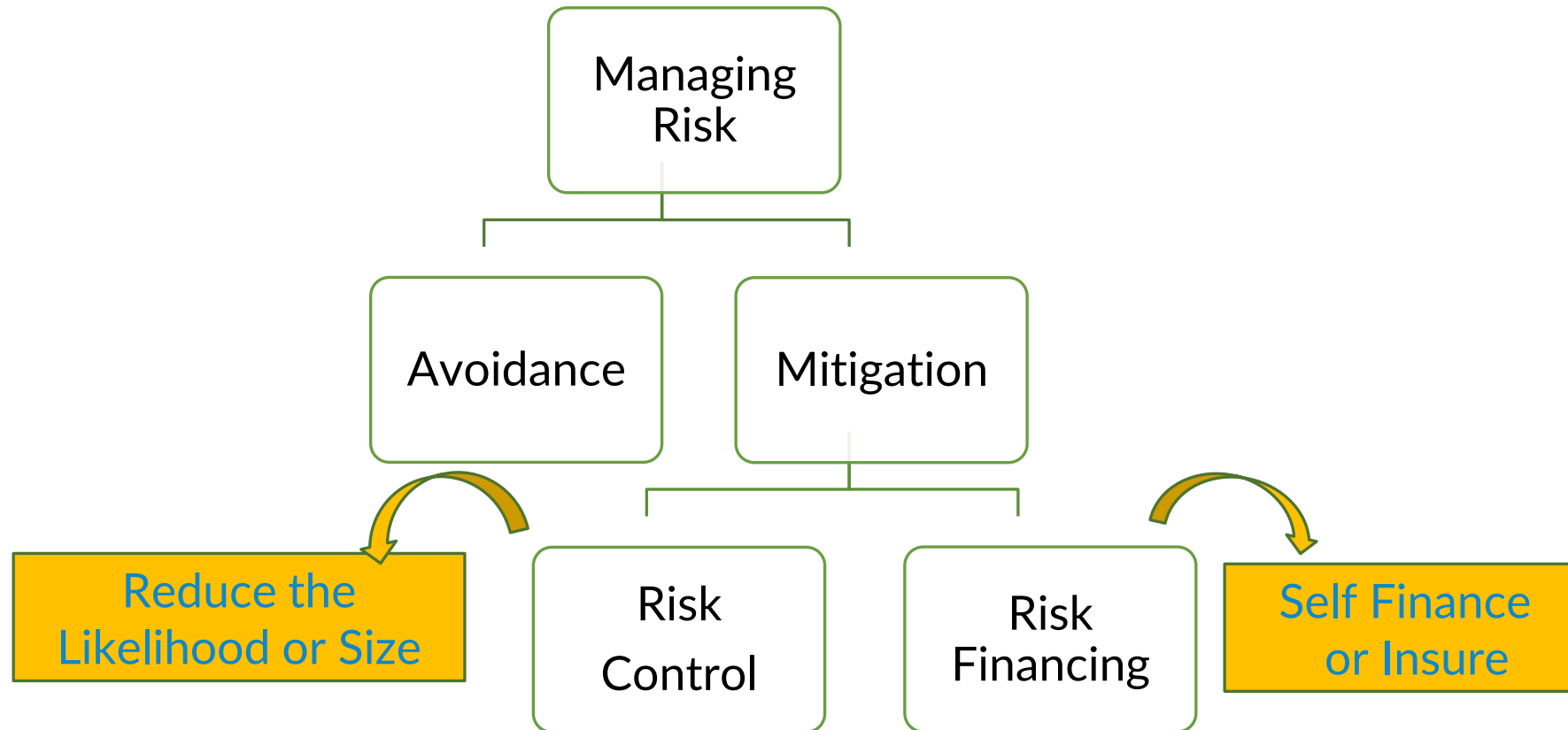


- What are my risks?
- Which can / should be insured?
- Which should I retain?
- How much insurance do I need?
- What kind of coverage(s) do I need?
- Where can I buy them easily & at a reasonable cost?

Key Definitions



Managing Risk



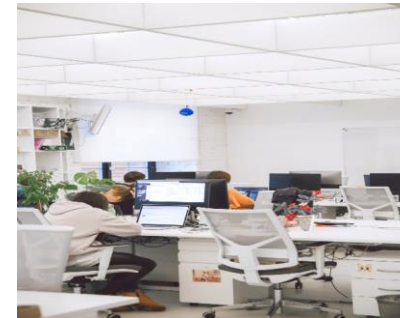
Risk Transfer

- **Risk transfer** is a risk management technique where the potential loss from an adverse outcome is shifted to a third party.
- Insurance is one form of risk transfer.
- **Note: Consult your attorney** about **contractual risk transfer alternatives** like *indemnification clauses* and *hold harmless agreements* and other ways to contractually transfer risk or to avoid assuming it!

Business Insurance - Property

1st Party - Covers Damage to Owned Property

- **Building** – Owned Property
- **Contents** – On Premises whether Owned or Rented (including Equipment)
- **Auto Physical Damage** – Vehicles used in the Business, even incidentally
- **Cyber** – Computers used in any facet of the Business; data as property.



Business Insurance - Liability

3rd Party Covers Legal Liability if Sued

- **Auto Liability** – Business Use of Autos
- **General Liability**
 - **Premises and Operation**
 - **Products /Completed Operations** – Product Manufacturers/Sellers and Contractors
 - **Personal Injury**
- **Cyber** – Computers used in any facet of the Business – “**Privacy Protection**”



Consult your attorney about other ways to limit or mitigate your liability e.g., hold harmless agreements, et al.

Business Owners Package Policy = Property + Liability

Business Owners Package Policy (BOP)

Section 1 – Property Coverage

Mirrors Property Policy:

- Building
- Personal Property
- Business Income and Extra Expense
- Valuable papers and records
- Care Custody and Control – Customer Property
- **Various Option Coverage including:**
 - Named Perils or All Risk
 - Electronic Media
 - Earthquake and Terrorism

Business Owners Insurance
One Packaged Policy for Small Businesses

General Liability Insurance:
covers acts you commit, or things that happen at your business location. Rest easy knowing medical expenses as well as any resulting lawsuits are covered should accidents happen, such as a customer slipping and falling in your business.

Property Coverage:
covers loss or damage to your physical space, equipment, inventory, machinery and furniture and supplies. The coverage also goes as far as to cover losses due to theft.

Business Interruption Insurance:
provides protection against and compensates you for incidents that can shut down your business. Major disasters like fires, hailstorms, windstorms, and vandalism can shut down your business for days, weeks or even months.

Trusted Choice HELP TO DO WHAT'S RIGHT FOR YOU™

The infographic features a central illustration of an open cardboard box with dashed lines connecting it to three circular callouts. To the right of the infographic is a green briefcase icon, and below it is a blue icon of a city skyline.

Business Owners Package Policy

Business Owners Package Policy (BOP)

Section 2 – Liability Coverage

Mirrors General Liability Policy:

- Premises and Operations – On Site activities
- Products /Completed Operations – Sale of products taken off site or work done off site activities
- Medical Payments – to injured 3rd party persons without proof of liability
- Personal/Advertising Injury – Non-Physical Injury



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HELP TO DO WHAT'S RIGHT FOR YOU™



Business Insurance - Life, Health and Disability



Life, Health, Disability Insurance

Life Insurance

Life – Lump sum coverage in event of death

- **Solo Entrepreneurs** – Coverage for yourself and your dependents
- **Partnership** – Coverage for each Partner
- **LLC/Corporation** – Key Person Insurance
 - Purchased by the company
 - Covers the Organization's key Personnel
 - The Organization is the beneficiary



Business Insurance - Life, Health and Disability



Life, Health, Disability Insurance

Disability Insurance

Income replacement if unable to work

Options include:

- Long Term
- Short Term

Top 5 Causes of Long Term Disability Claims²



Muscle/bone disorders
28.6%



Accidents
10.3%



Mental disorders
8.3%



Cancer
15.1%



Cardiovascular
8.7%

Business Insurance - Life, Health and Disability



Life, Health, Disability Insurance

Health Insurance

- **Mandatory for 50 or more Employees** – Per ACA (Affordable Care Act). Consider if less than 50 employees.
- Many plan types available (HMO, PPO, other)
 - **Helps Company Growth**
 - Attract and Retain Employees
 - Improve Productivity
 - Possible Tax Credits
- **SHOP** (Small Business Health Ins. Program)
 - For Less than 50 Employees



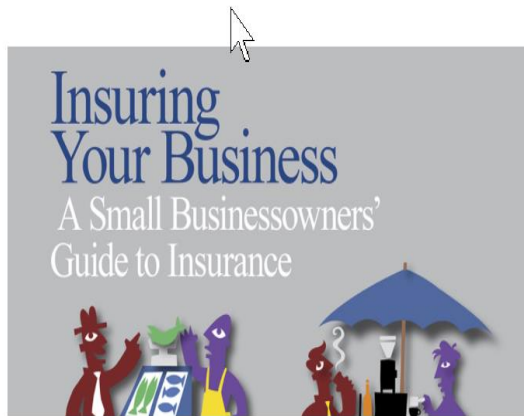
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[Healthcare.Gov](https://www.healthcare.gov/)

<https://www.healthcare.gov/>

Insurance Information Institute

Insuring Your Business Handbook



Insuring Your Business: Small Business Owners' Guide to Insurance

INSURING YOUR BUSINESS: SMALL BUSINESS OWNERS' GUIDE TO INSURANCE

Small Business Insurance Basics

Risk Management +

Specific Coverages +

If You Have A Claim

Insurance For Specific Businesses +

Additional Resources

Appendices +

Web Extras -

Download by Chapter

Insurance For Specific Businesses -

Artisan Contractors

Business Offices

Construction Contractors

Internet Businesses

Farms and Ranches

Food Service Businesses

Home-Based Businesses

Small Lodging Businesses

Small Manufacturers

Nonprofit Organizations

Professional Practices

Real Estate Businesses

Small Retail Stores

Service Businesses

Business Insurance - Buying Sources

Buying Sources and Consultation

Agent - Represents the Insurer (Insurance Company)

Two Types:

- **Captive** - Represents only 1 insurer (e.g., State Farm, Allstate)
- **Independent** - Represent multiple insurers

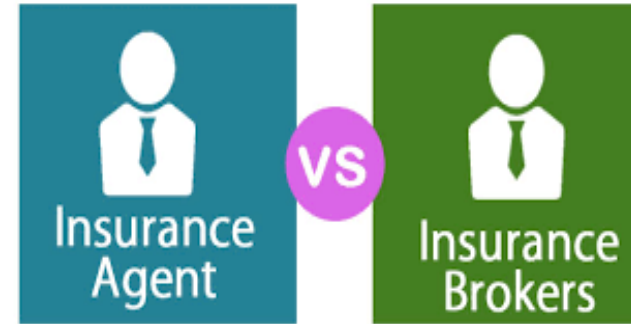
Can Bind Coverage - If authorized to do so.

Broker - Represents the Insured

Two Types:

- **Retail** - Deals Directly with Insureds
- **Wholesale** - Deals with Retail Brokers to Find the best Coverage

Can Not Bind Coverage - Without Insurance Company Approval



Cost / Benefit Analysis

Tip! Look for “affinity” or association plans; these are insurance programs designed for specific industries/types of businesses.

Business Insurance - Buying Direct/Brokers/Affinity Groups

Differences & Benefits

Direct:

- You select the insurer and work directly with their underwriter

Agent/Broker:

- They select the insurer; may have a limited choice of insurers.

Affinity Group:

- Provides specialized programs usually for an occupation/industry.

Commission (% of premium cost)

- You not pay the agent or broker's commission; the insurer does.
- Overall insurance cost placed through an agent or broker may be more costly than going direct BUT you have an independent consultant on your coverages AND an advocate, if you have a claim.

Insurance Companies (Partial List – Property & Liability)

Agency Writers

- [Allstate](#)
- [Hartford](#)
- [NJ Manufacturers](#)
- [Nationwide](#)
- [Progressive](#)
- [Travelers](#)

Direct Writers

- [Biberk](#)
- [GEICO](#)

Insurance Brokers (Partial List – Property & Liability)

Insurance Brokers

- [Hiscox](#)
- [Insureon](#)

Small Business Platforms

- [Coverhound](#)
- [Next](#)

Tip: Check with your personal lines insurance agent;
ask if he writes business insurance?
If he doesn't, ask for the name of an agent or insurer who does.

Insurance Companies (Partial List – Life/Health/Disability)

Insurance Companies

- Cigna
- Humana
- United Health Care

Brokers/Portals

- Coverhound
- eHealth
- Healthcare.Gov

Summary

- If you don't insure, you are self-insuring!
- Consider a Business Owners Package (BOP) Policy for your Property & Liability Coverage.
- Also consider a Personal Liability Umbrella Policy.
- If you belong to a Professional Association, ask if they offer insurance solutions/programs!
- Don't forget Life, Health and Disability Insurance.

Other Resources

Insurance Type	Consumer Brochures
Health Insurance https://www.healthcare.gov/small-businesses/other-coverage/ https://www.associationhealthplans.com/	NAIC Health Insurance Guide
Property & Casualty, Life & Health	NAIC Small Business Insurance Guide

Questions?

Helpful Links

- Find SCORE resources for small businesses at www.score.org/templates-resources
- Find more SCORE live and recorded workshops and courses at www.score.org/get-business-training
- Book an appointment with a SCORE mentor at www.score.org/find-mentor



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