



Insurance
Options
for Small Business
Owners

Who I am



Marcia McKinney

I am a broker (and agency owner). I spent 20+ years in the hospitality industry, working with restaurants and catering companies from Minneapolis to Chicago and even Key West FL. For the last 15 years, I have worked as a broker for all things insurance; auto, home, commercial, life, health, Medicare, disability and long-term care.

I work predominately with clients in Minnesota but also holds licenses in Wisconsin, Illinois, North Dakota, Colorado, South Dakota, Tennessee, Washington, Arizona, Florida and Montana, where I was born and raised.

In my spare time, I am an avid DIY'er, tackling almost any project I can and hanging out with my dogs.

I have been working with Score since 2020 to help educate new and small business owners – would love to work with you!



Objectives of today's event

- Explain basic commercial insurance, terms and many common options
- Answer questions like:
 - When does my small business need an insurance policy?
 - What questions should I be asking (my agent) about my insurance coverage?
 - What should I expect after contacting an agent?
 - What types of coverage (e.g. people, property, legal) are most essential for my business?
- Most importantly, educate and offer help on your journey as a small business owner and help you put some of the puzzle pieces together.

Help me help you:

1. How many of you are current business owners?

Our Clients

Manufacturers
Engineers
Home Healthcare Providers
Non Emergency Transportation
Event Planners
Doll Makers
Carpenters
Chemists
General Contractors
Coffee Shops and restaurants
Caterers
Accountants
Photographers
And business owners just like you!



Puzzled by Your Insurance...

Insurance terms you may have heard:

General Liability
Business Property
Inland Marine
Building Coverage
Commercial Auto
Hired/Non Owned Auto
Business Interruption Coverage
Errors and Omissions

Cyber Liability
Workman's Comp
Employment Practices Liability
Employee Benefits Liability
Bonds
Umbrella
Group Health Benefits
Supplemental Benefits
Key Person
Succession Planning



Help me help you:

1. For the entrepreneurs here today, what kind of business do you want to start?

Probably the most requested coverage for most businesses and the coverage that really becomes the backbone of most insurance policies is General Liability or business liability.

Business liability - Many small business owners have a [general liability insurance](#) policy to help protect themselves. But you may be asking yourself, “What does general liability cover?” This insurance helps protect your business from claims of:

- **Bodily injuries and/or property damage** your business may have caused. This can include a customer slip and fall or employee accidents, like breaking a client’s windows while working at their home or your product causing bodily injury if you are creating/producing an item. Damages will be listed as “Per Occurrence” limits as well as aggregate limits (the most your policy will cover in total).
- This would also cover you if you are a contractor who doesn’t have a brick and mortar location, but works in clients’ homes or their place of business

Potential additions to a General Liab.

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- **Personal and Advertising injury** – this protects your business against claims like invasion of privacy, copyright infringement, stolen ideas, libel, and slander. That means your insurance covers both your legal costs in such lawsuits, as well as potential payouts if necessary.
 - **Damage to Premises Rented to You** —applies to damage to premises rented to the insured and for damage regardless of cause to premises (including contents) occupied by the insured for 7 days or more.
 - **Medical Expense coverage** is a type of “no fault” insurance. If the expenses/damages exceed these limits, your GL would then kick in
 - *When should you have this coverage? And if you have General Liability, don't necessarily assume these coverages are included – make sure you are asking your agent about them.*

What's not covered...

Be aware though, a GL (general liability policy) doesn't cover everything that might come up or everything you may need – here are some things that are not covered under this type of policy:

- Commercial auto accidents that you or your employees cause while driving for work
- Employee injuries or illnesses resulting from their work
- Damage to your own business property
- Coverage for your property or inventory while it is being shipped to you/shipped to your client
- Errors in professional services (or advice) your business gives and or contract disputes/legal fees
- Claims that cost more than your policy limit
- Illegal acts or wrongdoing that you or your employees did purposefully
- Cyber breaches
- Claims of unfair business practices

I will cover these other types of policies/coverages coming up.

Other coverages to consider:

Business Property and Business Personal Property –

- Commercial property insurance, helps protect your business property. There are various kinds of property coverage:
 1. If you were to tip your office upside down, anything that falls out is considered **Business Personal Property** – covers theft, loss due to fire or weather, or vandalism within the premise. This coverage applies to owned, rented or office sharing space.
 2. **Business property** is the actual structure of your building or place of business. If you rent or office share space the term for coverage is damage to premises rented
- **Inland Marine** – covers business property in transit or away from your location. You would need this if you travel with your business property, ie., a computer, photographic equipment, if you are a tradesmen and have tools, just to name a few.
- If you are someone who has product(s) shipped to you and/or you install equipment, you may need additional coverages.

Commercial Auto

- Defined as vehicle/vehicles owned by the business that are used primarily for business purposes, whether you have one vehicle or a fleet of vehicles.
- In the event of “hired auto” aka rented vehicle, your commercial policy may or may not cover you for property damage – talk to us/discuss with your agent.

If your employee(s) is driving their own vehicle for business purposes talk to us about hired/non owned auto coverage. You can be liable if they cause an accident/property damage while on the job.



Commercial Auto Insurance Coverages

- Bodily Injury and property damage
- Uninsured and Underinsured coverage
- Personal Injury Protection
- Trailers
- Towing and Roadside Assistance
- Rental Reimbursement
- Attached equipment to your vehicle
- Hired and non-owned Auto
- Property damage to rented vehicles



Add'l Miscellaneous Insurance Coverages

Business Interruption or Loss of Business Income – covers loss of income that a business suffers after a disaster. The income loss covered may be due to disaster-related closing of the business facility and the rebuilding process after a disaster.

**Currently, Pandemic coverage is excluded with most insurance policies, ie., covid and other such situations*

**The water main break in NE Mpls last fall, would be a type of situation that causes a business to shut down, your policy would provide coverage for business income losses.*

Errors and Omissions or Professional Liability insurance - protects professional service providers from financial damages resulting from alleged negligence or error in the delivery of your services.

*This type of coverage is recommended for anyone, who in the process of their work, gives advice, is helping their clients make decisions/hire subcontractors, is working in process improvement or things along these lines. For example, accountants, lawyers, engineers, business consultant to name a few.


Examples of coverage

<u>Coverage Type</u>	<u>Insuring Agreement</u>
First-Party/Post-Breach Response Coverage	1. Privacy notification and crisis management expense
Third-Party/Liability Coverages	2. Information security and privacy liability 3. Regulatory defense and penalties 4. Payment card industry fines and assessments 5. Website media 6. Bodily injury (BI) and property damage (PD) liability
First-Party/Time-Element Coverages	7. Business interruption 8. Extra expense
First-Party/Direct Property Loss Coverages	9. Data assets 10. Cyber extortion 11. Computer fraud 12. Funds transfer fraud 13. Social engineering coverage



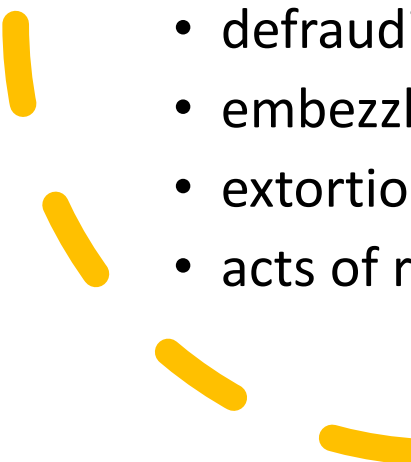
“**Cybersecurity incidents**” and “**data breach**” are terms that are often used interchangeably but there is a distinction between an *incident* and a *breach*:

- Data breach is a cyber incident; but a cyber incident does not always involve a breach of data – and both can be harmful to a business
- Ex. - malicious service interruptions and website impersonation are types of cybersecurity incident
- A **data breach** (or **security breach**) occurs when there is unauthorized access to information that is intended or required to be stored securely.
 - when a hacker breaks into your computer network or smart device
 - when a computer device, thumb drive, phone, or some other device is lost or stolen
 - when paper files containing personal or sensitive information are stolen, lost (e.g., via a lost or stolen briefcase), or discarded without first being shredded



Cyber crime occurs when a person or entity infiltrates a computer network to obtain control of a system, or access to stored data, for illegal purposes.

Examples of Cyber crimes include:

- financial or medical identity theft
 - theft of trade secret information
 - harm to business or defamation of an individual (e.g., taking over a website and posting false or embarrassing information)
 - defrauding money from individuals
 - embezzlement by accessing financial information or impersonating the account holder
 - extortion by freezing access to data and demanding ransom
 - acts of revenge or malicious vandalism for “fun”
- 

Other things to consider for your small business: Legal

Do I Need a Lawyer to Start a Small Business?

Will I have contracts with my client?

Are there any legal considerations I need to be aware of?

How am I setting up my business, LLC, S Corp, Sole Proprietor – what are the legal ramifications?

Reasons you may want to consult a lawyer:

Ensure compliance: Make sure your business opens and operates by federal, state and local laws.

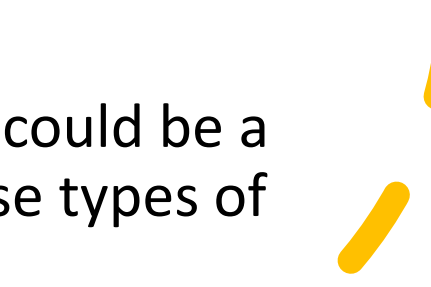
Reduce risk: A business attorney can help you establish a set of procedures to reduce risk.

Minimize liability: Define business terms of service and contractual language that restrict your liability in the event of a legal claim.

Establish agreements: Establish formal legal documents to govern relationships across the organization: ie, with employees, vendors, partners, etc.

Master taxes: Ensure you pay the tax you owe; they can also help lower your tax liability by identifying valid business deductions and reimbursements.

Legal and Insurance – what is covered and what is excluded

- Keep in mind, that a general liability policy will not necessarily provide coverage for legal fees if you are in a legal dispute, it will depend on the reason for the claim/dispute
 - Make sure all of your contracts are reviewed by a lawyer or someone possessing the knowledge to ensure you are properly covered – ie., employment contracts and contracts with your vendors and partners
 - Professional Liability or an E&O policy could be a solution if you are concerned about these types of claims
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If you are starting a new business and need a lawyer but may not have the resources, there are other options:

Score/Twin Cities – has legal assistance, check out their website

Do it Yourself – Legal Forms, you can find forms on line

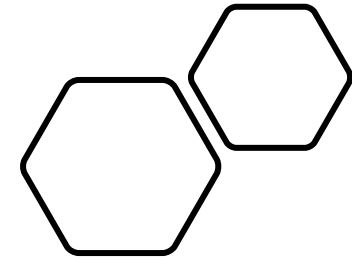
Free Legal – search your community for free services

Subscription Based Legal Services – pay a monthly fee and have access to

lawyers, based on your needs, there may be no other costs

Hire a private attorney – usually will have to pay a retainer and then an hourly fee dependent upon your needs

Making sure you are protected, legally, when you start your business could also ensure your insurance liability is protected down the road.



Umbrella – Do I need one?

Some claims are just too big for normal insurance.

As a business owner, you probably don't want to think worst-case-scenario about a huge claim or lawsuit befalling your business.

It's easier to shut those things out of our minds.

But the truth is that it could happen. Big losses, though they might have a low probability of happening, do happen.

And when they do happen, they can be absolutely devastating.

Also, depending on who your clients are, they could also request a commercial umbrella – I am seeing this more and more.



Your People



- **Workman's Comp** – covers injury or illness to workers on the clock – if you have employees this is essential
- **Employment Practices Liability** –
Lawsuit arising from unfair treatment and/or harassment claims from employees and potentially from clients
- **Employee Benefits Liability**
Lawsuit arising from unfair allocation of employee benefits
- **Employee Benefits and Supplemental**
- Includes healthcare, dental, vision, disability, 401K and life insurance

Workman's Comp –

- If you are a sole proprietor you may be able to opt out of work comp coverage, however, you may also be obligated to have coverage for work/contracts you have with your clientele – make sure you fully understand your responsibilities as it pertains to work comp and how these policies work – premium is based on your payroll and the job(s) your employees may do.
- The premium is based on an estimate of your payroll-meaning, you will be audited at the end of a policy term. If your payroll is less than you anticipated, you could see a refund and if it is more, you could owe an additional fee.
- Understand your states rules and regulations surrounding WC or you could be subjected to fines.



Other types of “Employees”

Independent Contractors

- Rules defining IC – do those apply to your business – know your states rules

Subcontractors

- A general contractor employing a subcontractor may be held liable for injuries to employees of the subcontractor.
- Exposure can be avoided if it is required that each subcontractor carry workers compensation insurance and document the coverage by providing a certificate of insurance (COI)



Employment practices Liability

What's included:

- Sexual harassment – that could involve employees or clients
- Discrimination
- Wrongful termination
- Breach of employment contract
- Negligent evaluation
- Failure to employ or promote
- Wrongful discipline
- Deprivation of career opportunity

What's not included:

- claims involving bodily injury, breach of a contract, criminal or fraudulent acts, labor disputes (including strikes), unpaid wages, or workers compensation benefits



Key Person and Succession Planning

Key Person may be needed if the sudden loss of a key executive or employee would have a large negative financial impact on the corporation. The payout provided by the death of this key person essentially buys the company time to find a new person or to implement other strategies to save the business.

Succession Planning is the process of exploring the options available to protect the viability of the business and choose the right strategy for the future of the business, whatever that may be.

Bonds –

If your business needs to be licensed, you may be required to obtain a bond before being licensed or a client could require this, or you might just like to have coverage.

What is the difference between a bond and insurance?



- Insurance protects the business itself from losses, whereas **bonds protect the person or the client the company is working for.**

Types of Bonds you may need:

It has been my experience – if you are working in your clients' homes) you may need both a Surety and Fidelity bond.

I have also had clients working with a particular client that has requested a bond, ie., a tile installer working on a higher end project, seeking licensing or work (from) a municipality.

Or if you intend on providing a 401K, you will also need a bond.

But what is the difference between the two?

Surety Bonds

Surety bonds are generally required by government/state entities:

*Are legally binding between two parties who enter into an agreement in which one party commits to providing another party a certain service or delivering a certain product within a fixed period of time.

*If the contractual obligations are not fulfilled, the party who, as a result, sustained financial losses can recover them using the surety bond.

Fidelity Bond

Fidelity bonds are, in fact, a type of supplementary insurance used by employers and corporations. They are also known as dishonesty coverage or **crime insurance**.

Fidelity bonds are designed to protect companies against financial losses due to dishonest practices on the part of employees/trustees. Such practices may include:

- Employee theft
- Embezzlement of funds
- Forgery or fraud
- Burglary

If any damages or losses to a company's assets occur as a result of an employee's misconduct, fidelity bonds can be used to reimburse both the company and its customers.

Erisa Bond

If you plan on having a 401K, you will need an Erisa Bond. This is a type of Fidelity bond used primarily in this situation.

*An ERISA fidelity bond is a **type of insurance that protects the plan against losses caused by acts of fraud or dishonesty**. Fraud or dishonesty includes, but is not limited to, larceny, theft, embezzlement, forgery, misappropriation, wrongful abstraction, wrongful conversion, willful misapplication, and other acts.*

The amount of the bond will depend on the size of your 401K – talk with your financial planner and insurance agent to get the correct bond for your group.

“Help me, help you” – the more I/your agent know about your business, the better I can make sure you are covered under all the circumstances that affect your day-to-day operation.

- If I am just starting a business, how do I start the process?
- What is the process of getting commercial insurance?
- If I have a policy now, why would I need to do anything else?
- If I have a current policy but want an audit, can I make a change mid-year?
- I am office sharing, what coverages are most important to me?
- I only have independent contractors working for me, why do I need to have workman’s compensation?
- What is a COI?
- All commercial insurance carriers will write my policy?
- If I need coverage today, that won’t be a problem, will it?
- Other vendors work with me, should I get proof of insurance (COI) from them?



Things to consider
when you begin
“shopping” for
commercial
insurance:

1. Have projected income ready and fully explain your operation and your prior experience – may need to show a resume
2. Have your FEIN (tax ID and Unemployment number if you have employees)
3. Have projected target market – who will you be working with
4. Have projected labor/payroll numbers – or sub-contracting labor projections

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Other things to consider:

5. If you are a current business owner and want an audit or want to shop your coverage, have your current declaration pages so the agent can at least compare what you have with what you may need, but also have your loss runs. A new carrier will want to know what kind of claims you have made in the last three years
6. Don't underestimate the cost of insurance – insurance rates are based on your type of businesses, potential losses in that industry or the likelihood of those losses and your business experience will affect your rates and your ability to work with certain carriers

Putting all the Pieces Together

Shopping for and finalizing a commercial policy can be a 2-4 week process. Your time and money are at a premium. Understand the what, where, why and how of your insurance!



Call or email for more details

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Visit my webpage at [themckgroup.com](https://www.themckgroup.com).

Thank you for your time today!