

Insurance

FOR A SMALL BUSINESS



FDIC



SBA

Welcome



1. Agenda
2. Ground Rules
3. Introductions

Objectives

- Identify the types of insurance required for a small business
- Identify other types of insurance a small business should consider
- Explain why insurance is important for a small business

What Do You Know?

What do you know or want to learn about insurance?



Insurance for a Small Business

Six key areas

- Insurance your business may require
- Other types to consider
- Reasons for insurance
- Location-related considerations
- Selecting a policy, agency and agent
- What to do after the purchase



Insurance Your Business May Require

State and Local Requirements

- Always check with federal, state, county and local governments
- Medical insurance with specific coverage may be required for employees
- Automotive insurance coverage for vehicles used in connection with the business



Other Liability Insurance

- Professional Liability Insurance
 - May be required for
 - Certain professional licenses
 - Certificates of business or professional business registrations
- General Liability Insurance
- Directors & officers

Liability laws change –

Stay Informed



Discussion Point #1: Work-Specific Insurance

Review examples of work-specific insurance which are required by certain licenses.

1. Here are a few to begin:
 - Restaurant – food business insurance
 - Construction company – general contractor's liability
 - Auto repair shop – business general liability
2. Can you list other professions that require insurance?

Worker's Compensation Insurance

Protects against illnesses, injuries at work.

- Pays for rehabilitation, retraining
- Addresses payments to beneficiaries and medical payout limits
- Required by most states, check state laws
- Private or state administered



Unemployment Insurance

Benefits those who are unemployed through no fault of their own.

- Willing and able to work, actively searching
- Federally regulated, state administered
- Check with state and Federal Dept. of Labor
- Always make payments, avoid penalties and actions (lien, misdemeanor, felony)



Other Types of Insurance to Consider

- Property Insurance
 - Commercial – natural disaster and theft
 - Equipment – coverage in commercial policy and repair and replacement of parts
 - Inventory – suppliers shipments and in stock



Continued ...

Other Types of Insurance to Consider

- Loss of income
- Life
- Disability
- Medical



Discussion Point #2: Required Insurance

Review examples of required business insurance.

1. Is your business required by law to carry any of these types of insurance?
 - Liability
 - Worker's Compensation
 - Unemployment
 - Disability
2. If not required, should it carry the insurance anyway? Why?

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



Activity 3: “Key Person” Policy

Think about and respond to these discussion points.

1. Do you have a list the 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. List 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 ...

Activity 3: “Key Person” Policy

Think about and respond to these discussion points.

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 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



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

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

- Retail – one or more locations, inventory theft, credit card theft, personal vehicle for deliveries

Continued ...

Location-Related Considerations

Business location affects type of policy

- Commercial – greater coverage than Retail, larger businesses
- Vendor – kiosks at festivals, conferences, 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?



Selecting a Company and an Agent

Compare quotes, coverage, deductibles and other details

- Stable and accessible?

Check consumer and business reviews,
network with others



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
- File complaints with state insurance department or commissioner if needed



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

- Check federal, state, county and local laws for insurance requirements
- Paying Unemployment Insurance and Worker's Compensation 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?
- What have you learned?
- How would you evaluate the training?



Conclusion

You learned about:

- Small business insurance requirements for professional licensing, unemployment and worker's compensation
- 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

You learned about:

- 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