

## Insurance Key To Managing Risk

Business Hazards; Overlooking right coverage can be costly

Presented by



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Brett Gundlock/National Post

Every business owner knows insurance is a fundamental part of doing business. What many may not know are the omissions that can blindside you if you don't do your due diligence when shopping for business insurance.

Think of the whole process of insurance as hiring a risk manager, Harry Binks, president of Binks Insurance in Ottawa says. "A public company has a risk manager that handles all that. Smaller businesses don't, and [owners] are not always entirely sure what they are looking for when it comes to insurance coverage."

Risk management is exactly how Jenny Faucher, president and founder of Managing Matters Inc., an event and association management company in Toronto, describes it.

"When I started business, one of the first things I put in place after incorporating was a risk management strategy to insure the business entity. I felt that was the most important thing to do."

Insurance specialists say business owners for the most part are up to speed on the basic property and casualty insurance needs. Others have expanded their insurance portfolio to include business interruption and professional liability. Even at that, there are often areas of weakness within those insurance staples that are overlooked. These can vary considerably depending on the type of business.

Brian Wilcox, account executive with Firstbrook Cassie & Anderson Ltd. in Toronto, says liability insurance is one area that businesses tend to underinsure. "A lot of small businesses carry a million but that is not adequate in this day and age." Small businesses would be wise to consider \$3-million to \$5-million for liability coverage. In cases where risks to customers are higher, such as a heavy manufacturing site, coverage should be even more. Another area that can be full of blind spots for many businesses is property insurance, Mr. Wilcox notes. "There are incidents that can take place that might not be covered under your [standard] property policy." They can range from mechanical failures such as boilers and machinery, to any improvements you may have made on your leased property, such as fitting and fixtures.

These are the things that may need to be addressed when negotiating your insurance coverage. Leases can be especially problematic, he adds. "We always recommend that anyone getting into a new lease have an expert look over the insurance portion. A lot of landlords transfer liability on a number of areas to the lessee. So be very, very careful of what liability you assume and look at small businesses haven't properly addressed issues such as the death or disability of key personnel. "If you are a partner or shareholder for example, your buy/sell agreement should be funded by life insurance. The life insurance will allow the provisions of the lease."

Another major insurance issue that can come into play is the people factor, especially where partnerships are involved. According to Robert Packman, president and chief executive of R. G. Packman & Associates in Ottawa, many for immediate buyout of that person's share if they die." The same issues hold true for disability insurance.

Whether you are a shareholder, partner or single business owner, Mr. Packman recommends you consider critical illness insurance, since disability policies won't pay out on certain illnesses. "If you have a heart attack you can get treatment and be back in a few weeks. Disability insurance won't cover that."

Of course, in their efforts to cover all their bases, businesses can run the risk of overdoing the insurance coverage, or having too many policies to pay for and manage. The way to avoid confusion and over spending is to make sure you get qualified advice, consolidate as much as you can with one broker, and review your renewals annually.

"You have to go through the process to ensure you have the right coverage as your business changes," Mr. Packman advises. "And it's usually better to get a full package from a single insurer to take advantage of discounts and build an ongoing relationship."

Long-term relationship building is a key to getting the most out of your insurance providers, Mr. Binks confirms. "If you are organized, get appraisals done, understand the issues and control your claims, then you'll find insurers will bend over backwards for you because they want you as a long-term client."

Ms. Faucher, who is now prepping for her annual insurance review with her broker, is a firm believer good relationships are essential when it comes to risk management. She also says it pays to perform your due diligence to find the right advisor. "Speak to as many as you can to make sure you get the right coverage. One little gap [in your coverage] and you'll find out about it soon enough."