

Taking the “*Mystery*” out of Commercial Insurance

Insurance 101 for the Business Owner



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Unbiased Insurance Advice and Coverage

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Introduction

Why on earth would someone spend time writing a “primer” for business owners on commercial insurance? I mean, think about it. What do we usually hear about insurance?

“Insurance is like marriage. You pay, pay, pay, and you never get anything back.” Al Bundy

Or, *“it’s a rip-off, and insurance companies are just out to make money.”*

And finally, *“The wordings are so confusing and full of fine print.”*

Every one of those statements does hold some truth. Sometimes you do pay and never get anything back. That makes some sense. The whole premise of insurance is that “the premiums of the many go to pay the losses of the few.” You may go through your lifetime and never have a claim. You didn’t receive any money from the insurer. However, the insurer was there for you in case you did. Is that different from paying Employment Insurance all your life and never being out of a job?

As for insurance companies, out to make money, that makes sense too. Aren’t you in business for the same reason?

The last statement about confusion is almost bang on. The contracts can be confusing, so you must understand the wording of that policy. It’s a contract between you and the insurer. You pay a premium to transfer some business risks to the insurance company.

There is no doubt that insurance can be confusing, and therein lies the reason why you need to take some time and learn more about how you can protect your business.

Disclaimer

This brief outline of insurance is just that – a brief outline. It is not meant as the be-all and end-all of insurance knowledge. As every business is different, so is every insurance contract. Each insurer develops its policy wording, so the information contained herein is an overview of typical insurance products.

Sharing

You’re free to share this with anyone you like, as long as:

1. You share it for free,
2. You send the entire thing unedited, and
3. You don’t do anything like remove the author’s name, the cover, the branding, etc., or pretend that you wrote it instead of me.

If someone did send this to you, that was nice of them. Please think about [signing up](#) for our regular “Expert Advice” article.

Risk Management

Before discussing insurance, let's talk a bit about managing your risk. Insurance is just a part of protecting your business. There are five steps to a good risk management program, and as this is meant to focus on insurance, we won't go into this subject in detail. This is where a qualified risk manager/insurance consultant can assist.

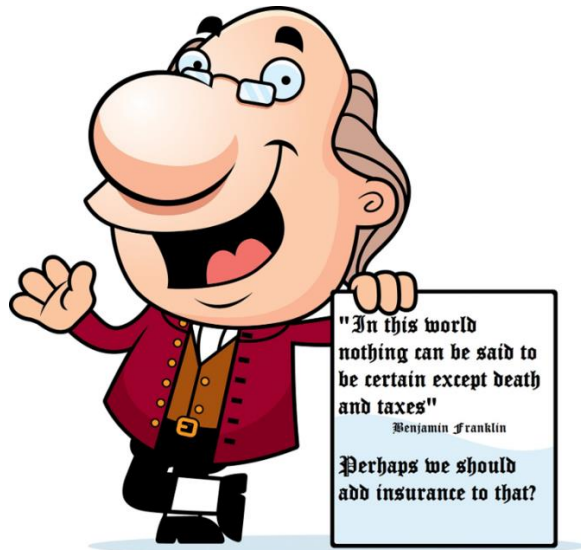
Steps of a sound risk management program....

1. Identify Exposures
2. Find Options for Reducing or Eliminating Exposures
 - Avoidance - Avoid the risk partially or in whole
 - e.g., selling to the U.S., not providing certain products or services
 - Reduction - Employ methods to reduce the negative impacts of hazards,
 - i.e., snow removal, sanding to avoid slips and falls, installation of sprinkler systems, alarm systems, dual-signing authority, cyber-training
 - Retention - You retain all or part of a risk of loss.
 - Deductibles, self-insuring (e.g., collision)
 - Sharing - Sharing or outsourcing the risk to another party better able to handle it.
 - *Insurance*, partnerships, contracting out
3. Select the best options
4. Implement
5. Monitor and Improve

Once you have followed those five steps, then it's time to develop your insurance program!

Insurance Basics

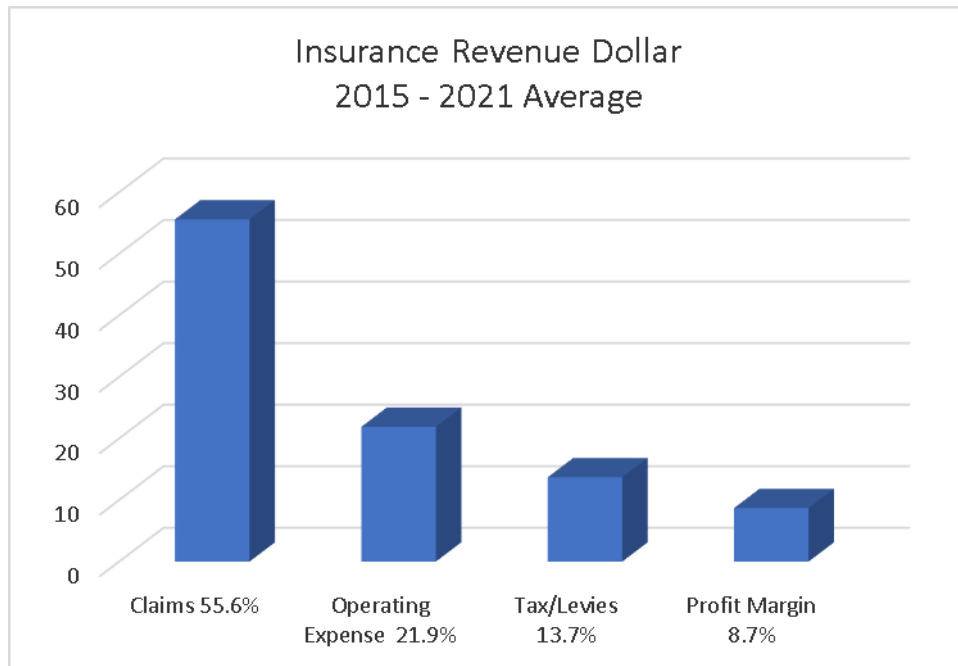
The first formal insurance was developed at a coffee house in London owned by Edward Lloyd in the 1600s. Lloyds Coffee House in 1651. It was a popular place for shippers to hang out and obtain shipping news. The dealings that took place here led to the start of Lloyds of London. Lloyds is not an insurance company but a group of individuals and companies forming “syndicates” to underwrite insurance risks. Lloyd's is regulated by the Prudential Regulatory Authority and Financial Conduct Authority under the Lloyd's Act of 1982.



The intent of insurance is that the premiums of the many pays for the losses of the few. Quite frankly, in the writer's opinion, insurance is not unlike taxes; employment insurance being a typical example.

Without Insurance, you couldn't:

- Drive a car (current provincial legislation requires that each vehicle carry minimum limits of insurance)
- Get a mortgage (the lender will want to ensure that he gets paid back in the event of a loss)
- Borrow money to buy a business, stock or equipment (again, it's about the lender)
- Lease space for your business (no responsible landlord wants to assume liability for a tenant's negligent acts)
- Get that consulting gig you wanted so badly. (They want you to have liability insurance)



You all know that insurance companies constantly rip consumers off and make oodles of money. Well, let's take a closer look. When writing, the last complete statistics available were 2021 stats. These statistics are for property and casualty insurance only, not life and disability insurance.

Insurers in Canada collected \$77.4 Billion in premiums, of which 55.6% paid out in claims. Operating costs for the companies, which include the cost of adjusting claims, were 21.9%. They contributed 13.7% of that gross revenue in Federal and provincial taxes. Industry net profit was 8.7%.

And is profit such a bad thing? Isn't it why we go into business in the first place?

Customize Your Insurance Program



Now let's get into specifics. Regarding insurance, "One Size does not fit all." These are just some of the questions you need to ask yourself.

1. What type of business do you have?
2. Do you own property? How much to replace? Does it stay in one place?
3. Could you be sued for bodily injury, property damage, professional services or as a director on a board?
4. Do you have a website? What do you use it for?
5. What would happen if your physical location was destroyed by fire or flood? What expenses would you still have to incur? How much revenue would you lose?
6. What types of contracts are you signing? Are you unknowingly assuming someone else's liability?
7. Do you import or export any products?
8. How do you control your money?
9. Do you have a disaster recovery plan?
10. Do you have out-of-country sales?
11. Do you import from out of the country?

Package Policies

Although customizing your insurance package usually is preferable, purchasing a "package policy" is possible. At first blush, the package policies offered by many of the insurers in the commercial insurance market space look attractive because of all the various extensions of coverage that are automatically included. It's no longer just a policy that insures your building and equipment against the risk of fire or hail damage. Some of the more common extensions that could be included are;

- building upgrades
- environmental upgrades

- landscaping and growing plants, shrubs, or flowers
- business contents away from premises and while at employee residences
- valuable papers
- accounts receivable

It looks great, but what does all this mean? How much of the total amount of insurance would apply to any of these extensions? Some of it? All of it? Or are there specific sub-limits? Do you even need all of them?

The fact is that most of these 'add-ons' do have real and essential value.

Another truth is that most consumers have yet to learn these extensions' value or relative importance to their particular needs. As an experienced broker, I know these extensions are often called "talking points." That is to say, each one of these extensions of coverage needs to be addressed individually, and the correct amount of insurance allocated for each.

Types of Insurance Available

The following types of insurance are just some of the products available in the insurance marketplace today; these change as our world changes. Twenty years ago, who had ever heard of Cyber and Privacy coverage? Legislative changes, social trends, economic factors, and criminals sometimes drive the protection you need as a business owner.

Business Buildings and Contents

Usually, the first area of insurance that is addressed is “What physical property do I own, and how do I protect myself against a loss of those assets?”

You need to determine how much you need to insure all of those assets for and consider the various clauses in the insurance contract that will apply.

Replacement Cost vs. Actual Cash Value

In the event of a loss, do you want the insurance company to repair and replace without considering depreciation? If so, you must ascertain your assets' current rebuilding or replacement value, including building, contents and equipment. Any stock you have will be insured on an actual cash value basis.

If you can purchase replacement cost coverage, that's usually the best option. Actual Cash Value is the value at the time of loss and considers factors such as age, condition, use and market value. If you can replace your contents with used items, it works; however, if you have specific equipment that is expensive or hard to find used, it usually doesn't.

Coinsurance

All insurance policies carry a co-insurance clause. That means that you must ensure at least 90% (usually) of the replacement value of your property, or you will become a “coinsurer” and pay part of your claim. The best way to explain that is by example, and we will use a commercial building you own that you have insured for \$1,000,000. You have a fire that causes \$300,000 worth of damage.

At the time of the loss, it has been determined that the cost to rebuild your building based on current costs is \$1,400,000. The insurer will calculate 90% of the \$1,400,000, which equates to \$1,260,000. Here's how they will calculate your share of the claim.

| | | |
|----------------------------|---------------|-------|
| <u>Amount of Insurance</u> | = \$1,000,000 | = 79% |
| 90% of Replacement Cost | = \$1,260,000 | |

Amount of Loss = \$300,000 X 79% = \$237,000

The insurer will pay \$237,000, and you will pay the \$63,000.

In hindsight, it would have been worth having the building appraised by a rebuilding cost appraiser and paying his costs and a few dollars more in premium. You would still be ahead of the game. Make sure you monitor those values as rebuilding costs and labour costs escalate.

Deductibles

All policies carry a deductible, the loss you pay first. Deductibles are in place for two reasons. Firstly, it reduces the frequency of small claims. Understand that it's not just the \$500 item that was stolen that is an expense to the insurer. It's also the cost of adjusting that claim. Secondly, consider what amount of risk you want to retain. Many insurers will allow for premium discounts for higher deductibles.

Other Property

The standard policy covers property that you own on your premises. If you have the property of others you are legally responsible for or property that doesn't always stay on the premises, you may also want to insure that. That could be mobile equipment, rented equipment (that you rent or rent out to others) or property in your care that belongs to a client. Perhaps your business carries out repairs for others. You need to insure those customers' goods.

Warranties

A warranty is a promise by you that, if breached, could void your coverage. That means that the insurer won't have to pay a claim. Standard warranties relate to sprinkler systems, burglar alarms, and welding activities. If you know that the sprinkler system is not working and you do nothing about it and have a fire, you may not have any coverage.

Commercial General Liability (CGL)

There usually are four insuring agreements in the Commercial General Liability, each protecting areas where you may be responsible to someone else for your negligent acts. Negligence is the failure to take reasonable care, which causes injury or loss to another person. The company and all employees would be included as a "named insured."

- A. **Bodily Injury and Property Damage** – pays for compensatory damages for bodily injury and property damage. As with any policy, there are exclusions to watch for. This list is NOT exhaustive, so familiarize yourself with the wording of your policy. Some of the exclusions are:
 - a. Damage to your property or your work
 - b. Property in your care, custody or control,
 - c. Aircraft, watercraft and automobiles
 - d. Workers' compensation claims
 - e. Expected or intended injury or damage
- B. **Personal Injury and Advertising Injury** – compensates for such personal injury as false arrest, wrongful eviction, or discrimination. Advertising Injury could include damages from an oral or written publication that may slander or libel a person or organization or violate someone's right to privacy. It may also include copyright infringement.

- C. Medical Payments** – Coverage is available for medical expenses for bodily injury arising from an accident. This payment can be made regardless of fault. There are some conditions, of course, and a policy review is necessary.
- D. Tenants Legal Liability** – As mentioned earlier, the Commercial General Liability does not cover property in your care, custody and control. That means that should the space you lease, rent or occupy become damaged due to your negligence, you need coverage under this policy section. The amount of insurance should be equivalent to the replacement value of the space you occupy.

It's important to note that sub-contractors are NOT covered under your insurance policy. Should you subcontract work, you should ensure they have insurance protection. Requesting a Certificate of Insurance is an excellent way to determine that. It is also a good idea to be named as an additional insured on their policy related to their work for you. Talk to your insurance provider for more recommendations.

Professional Liability (PL)

If you are a professional and possess special qualifications, skills, competence or expertise and provide services to others, then you may need professional liability insurance. More commonly known professions are lawyers, doctors and accountants. However, many other occupations would qualify, i.e., hairdressers, coaches, construction firms, software developers, pharmacists or consultants.

As a professional, you must exercise reasonable care, including protecting others from harm.

Commercial General Liability policies provide coverage as outlined earlier, including bodily injury or property damage; however, those policies exclude professional services, including any error or omission, malpractice or mistake in providing those services. The term “Professional Services” is defined in the policy wording, so to be sure of what it means, it’s best to review that policy to determine whether or not the service provided by the insured may require specific professional liability insurance.

The Professional Liability policy covers liability arising from those negligent acts or errors and omissions in the rendering (or failing to render) that service.

One significant difference between a Commercial General Liability (CGL) policy and a Professional Liability (PL) policy is the policy trigger. In the CGL policy, the trigger is the occurrence of injury or damage. In the PL policy, it’s when the claim was discovered and made, or the insured was made aware that there may be potential for a loss/claim.

Some examples of professional liability could include the following:

- A pharmacist filling a prescription and providing the wrong medicine or dosage.
- A hairdresser using a product that causes severe damage to the client’s hair or skin.
- A consultant recommending a particular course of action to his client that ultimately causes the client to suffer a financial loss due to that advice.
- A financial planner providing a product to the client without fully explaining the potential risks.
- An insurance agent who fails to offer the correct insurance solution to his client.

The professional liability insurance contract could include first-dollar defence costs, prior acts coverage or even sub-limits for certain regulatory hearings conducted by the insured's professional association.

In addition, many professional liability policies carry a self-insured retention similar to a property or other liability insurance policy deductible.

Directors & Officers Insurance (D&O)

Serving as a director or officer on a board of directors brings specific responsibilities, some of which you can be held personally liable for. As a director, you have a fiduciary duty to act in good faith and put the corporation's or association's best interests ahead of your own.

You may be accountable to various stakeholders, including but not limited to employees, vendors, investors, government or regulatory bodies and even competitors. Exposures can include a lack of growth, falling dividends, fraudulent reports, improper expenditures or conflict of interest.

As with Professional Liability policies, the policy trigger is "claims-made," meaning when the claim was discovered and made or the insured was made aware that there may be potential for a loss/claim.

D&O coverage is not just for for-profit companies. Non-profit directors also require protection as they can be personally liable for claims such as wrongful dismissal, discrimination, uncollected withholding taxes, inadequate training of volunteers, etc.

Both forms of coverage will have exclusions for criminal acts, libel/slander, bodily injury or property damage, failure to maintain adequate insurance and any fines or penalties.

Before agreeing to serve on any board, check to ensure a D & O policy is in place.

Environmental Liability

Nothing has been more top of mind over the last few years than protecting our environment. There is an increasing demand for coverage for Environmental Liability insurance for those incidents that may pollute our environment. The Canadian Environmental Protection Act governs the identification, assessment and management of toxic substances and the control of the discharge of such chemicals. In addition, each province has their own Environmental Protection Acts.

Liability can be imposed under the abovementioned legislation, purchasing contaminated land that must be remediated or spills caused by manufacturing processes or transportation risks. Coverage typically is available for:

- Sudden and accidental pollution (i.e. burst pipes allowing pollutants to escape)
- Gradual Pollution events (i.e. leaking oil tanks)
- Off-site clean-ups
- Coverage for shareholders, board members, employees

Again, it is common to have this form of coverage written on a claims-made basis.

Home-Based Business

Having experienced the flexibility of working from home, many employees are reluctant to return to the 9-5 day at the office. Many employees, either through attrition, the “great resignation,” or “it’s the right time,” have decided to open a home-based business.

Let’s look at how your Home Base Business affects you!

Home insurance policies exclude bodily injury or property damage arising out of the commercial use of your home. Someone coming to your home to pick up a product they purchased from you slips on the icy sidewalk. Because they break a leg, they may sue you for bodily injury. If so, you may have no insurance protection.

There will be limited coverage for business contents on your home insurance policy. Do you know what that limit is on your policy? If the property leaves the premises, you probably won’t have coverage.

Because you are a hairdresser, massage therapist or personal trainer, you are considered a professional. Separate coverage is required for errors and omissions.

Are you using your garage or basement as a shop? Does a fire start as a result of your business operation? You may have no coverage for your home or personal belongings.

Check with your home insurance provider. When you do, there will generally be three responses:

- Your home insurance policy can be extended to protect you to some degree.
- They may be able to offer a separate business policy, or you will have to prove you have coverage with another insurer.
- They will ask you to move your insurance elsewhere unless you cease the business operation.

There are also legal and financial issues that need to be addressed. Contact your legal and financial advisors to determine the advantages or disadvantages of incorporating your small business.

Crime Coverage

A commercial property policy usually carries crime coverage, be it vandalism, theft, malicious mischief, robbery or burglary; however, there are always exclusions for certain types of property or losses. The following are some of the exclusions that will typically apply:

- Money, precious metals and securities
- Dishonest or criminal acts
- Furs and jewelry

Coverage for Crime can be purchased that may include such extensions as:

- Coverage for employee dishonesty resulting from a fraudulent or dishonest act that deprives you of money, securities or other property
- Loss of money or securities resulting from the actual destruction, disappearance or wrongful abstraction
- Acceptance in good faith of counterfeit currency, bank drafts or money orders
- Forgery or alteration of any cheque or other instrument purported to be drawn by you.
- Electronic fraud and funds transfer fraud
- Property in a safe deposit box from burglary or robbery
- Incoming cheque forgery

Always make sure that you read the actual wording so you know what conditions may apply to the coverage. Remember that crime and cyber are insured separately.

Equipment Breakdown

Another exclusion in property policies covering the building or contents includes electrical devices, appliances or wiring, and any pressure vessel or boiler generally over 15 pounds per square inch. Also excluded are any boiler and its piping which contains steam or water under steam pressure.

That exclusion does not apply for manually portable gas cylinders, natural, coal or manufactured gas or explosion, or gas explosion within a furnace.

For example, purchasing coverage specifically for that exposure is standard if a boiler heats a building. Let's look at examples of what could be covered under the Equipment Breakdown policy.

- Power surge damages a generator and burned-out radio equipment, printed circuit boards for a fire alarm system, a small transformer and small electric motors – total loss of \$90,000
- Electrical arcing destroyed three main electrical panels and left an office without power. Temporary measures were taken to restore power to tenants – particularly to an accounting firm that was in the height of tax season. Total Loss: \$1,597,389
- Printer company equipment - A bolt fell into a high-speed press, damaging the cylinder and gears. Total Loss: \$136,693
- An air conditioning motor burned out in a high-rise senior citizen's apartment building. Ninety-plus-degree temperatures necessitated setting up four rented "spot coolers." Overtime was required to get the motor back online. Property Damage: \$83,557, and extra expenses were \$16,794

Automobile Insurance – owned and non-owned

An insurance product that almost everyone is familiar with because specific coverage is required by law in every province and territory in Canada. The government runs the auto insurance program in BC, Saskatchewan and Manitoba. In Quebec, the government runs the insurance for bodily injury only.

Every other province or territory has private insurers who provide the insurance. However, insurance is heavily regulated by the government, which, in almost every case, controls the wording of the auto insurance policy and, in many cases, the insurance company's premiums.

For more specific information on what is required in each province, the Insurance Bureau of Canada provides updated mandatory coverage on their website. www.ibc.ca

Usually, the insurance is separated into personal insurance and commercial. Personal auto insurance is not designed to cover additional exposures from commercial use. In many cases, commercial use would be those vehicles used for the delivery of products or carrying tools and equipment necessary for business.

Business Interruption

If I had to rank this form of insurance protection, it would be close to the top of the list. Usually, one of the main reasons most business owners go into business is to make money. The revenue produced by the company pays for the cost of doing business, purchasing goods, supplies and services, salaries, taxes, and an income for you. After a loss, you will still have ongoing expenses and no pay for you or your employees.

Business Interruption insurance is an insurance product that can provide for those continuing expenses and loss of profit in the event of an insured loss against your property.

There are various forms of coverage available. Which form you select will depend on several factors, such as:

- Do you own or rent the premises you operate from?
- Are you looking to replace lost income and continuing expenses until your revenue returns to pre-loss levels or just until the property is repaired or replaced with due diligence?
- Do you want coverage for your employees other than partners and key employees?
- Do you have rental income revenue?
- Do you have a critical supplier you depend on for your products?

It may be advisable to involve your accountant in establishing the amount of insurance you need, as the coverage has a 100% co-insurance clause. That means if you are underinsured at the time of the loss, you will end up paying for part of your loss. Remember to consider where you might be regarding your financial position 24 months from the date you take out the insurance. This insurance coverage can cover up to 12 months from your date of loss, which means if you have a loss one day before the end of your policy term, you are looking at potentially another year down the road.

Cyber & Privacy

Breaches, DDos, Phishing, Whaling, Malware, Porting, Trikbots, Ransomware and Zoombombing. What do these words have in common?

Yes! These are all Cyber Crimes; every business owner who owns a computer, uses email, or has a website is a target.

And nowadays, we are all more exposed than ever. The majority of business owners and employees are working from home now. You can bet that cybercriminals are also stepping up their game as security working from home is usually less effective.

Many insurance companies include limited cyber coverage in some commercial package policies today. You need to be aware that this coverage is not intended to provide the higher levels of protection required to cover the varied cyber incidents occurring these days.

Just as you secure your premises to avoid loss, securing your IT systems is essential. A solid cyber insurance policy can cover first-party and third-party losses if you suffer a cyber-attack.

First Party losses are costs that you must bear. This can include:

- Breach Costs
- Data Damage
- Network Failure and resultant Business Interruption
- Outside provider/cloud service provider failure
- Cyber extortion and ransomware
- Customer attrition
- e-Theft

Third-Party losses are those costs that you will be liable for as a result of the cyber breach:

- (Network) Privacy and confidentiality liability
- Privacy and network security liability
- Multimedia Liability
- Technology Errors & Omissions
- Payment Card Industry Data Security Standard losses (PCI DSS)
- Additional expenses incurred in crisis management, fraud response, public relations, forensics, and legal may also be included in the protection depending on the insurance product purchased.

In addition to insurance, taking steps to avoid a breach is essential. Here are a few tips for you.

- **Change your passwords.** I know! That's such a pain. It's much easier to use one password for all your sites. The danger is that a hacker has much easier access to your sites if your passwords are duplicated and not changed regularly. There are several software programs available to assist you.
- **Secure your home office.** Have you changed your router password since it was installed? Do you have antivirus software and automatic backup tools?

- **SPAM.** You've all seen those emails that look like they are coming from someone you know. So, you click on it or, worse yet, open an attachment. Bang – you've just downloaded malware onto your system. Check email headers and sender's addresses, and only open attachments of verified trusted senders and those you expect to receive.
- **VPN.** With so many business owners and employees working from home, it makes it much more accessible to cyber-criminals. A Virtual Private Network on your home computer can mask your internet protocol (IP) address, so your online activity is virtually untraceable. It establishes secure and encrypted connections. Again, shop around to get good speed and reliability.
- **Educate, Educate, Educate** – You must be up to date on signs of possible cyber attacks and ensure that your employees have ongoing training. Engage experts to help you with that.

Bonding

Contract Bonding

Contract bonding is not like an insurance contract where if something happens that is insured in the agreement, there is compensation in one form or another. It is more along the lines of a financial guarantee whereby one party is guaranteeing the debt or the performance of an obligation of one party to another. Also, unlike insurance, where there are two parties in the contract, Surety bonding has three.

- Principal – Party whose obligation is guaranteed
- Obligees – Beneficiary under the terms of the bond
- Surety – The guarantor (insurer) who guarantees the principal's obligation

If there is a chance that the principal of the bond cannot complete the project, the insurer will not provide a bond. If the bond is called, the principal must repay the insurer.

Construction firms requiring Bid, Performance and Labour and Material bonds are the most common clients for this type of bonding.

Miscellaneous Bonds

Miscellaneous Bonds are most often a legislated requirement for security where the public may face a financial loss. This includes such bonds as Licence and Permit Bonds, Customs and Excise bonds or Lost Documents bonds, to name a few.

Fidelity Bonds

This type of bonding is meant to protect the employer from losses caused as a result of the dishonest act of an employee. Any business that entrusts employees to handle cash or other valuable assets should consider purchasing a fidelity bond.

Claims

Many years ago, I was at a family event where one of the uncles was very vocal in his protests about the high cost of insurance. He felt it was just a “rip-off.” As it happened, one other family member was a senior executive of a large insurance company. He said to the uncle that he would give him free insurance for a year on one condition. That condition was a promise that there would be no claims. The uncle wouldn’t take him up on it. We never know when we might be struck with an event where we need insurance.

So, what happens if you have a claim? That’s why you bought insurance in the first place. I spoke with several claims experts and asked them this question?

What is your best advice to an insured who has had a claim? Here’s what they had to say.

- 1. Before you have a loss** - Have an adequate inventory and update it regularly. You should send a copy to your broker or at least keep a copy somewhere safe. Proving your loss is your responsibility; having an inventory of your stock and equipment is invaluable.
- 2. Minimize the loss to the best of your ability.** For example, if it’s a water-related claim (which is so common these days), Start cleaning up the water and rent dehumidifiers to help reduce downtime. Pretend you don’t have insurance. The expert claims manager I spoke to said that not once has he denied reasonable costs to mitigate the claim
3. Another expert agreed with that and added that **if there is any evidence, retain it!** Let’s say you just had a plumber in to fix a piece of equipment, and that equipment may have caused the problem. Make sure you keep any parts and take pictures. Your insurer may have the right to subrogate - in other words, perhaps the plumber’s negligence caused the loss, and he should be held accountable.
- 4. Let’s talk about downtime.** More than likely, a loss can cause a disruption in your business which either reduces or eliminates your income for some time. Business interruption is much more common now. And although that is the case, it is still very misunderstood. You need to have good financial records that have monitored the trends in your business. Work with your adjuster and your accountant to help you determine what the amount of recovery may be.
- 5. In the event of a third-party claim, remember to Be Patient!** It takes time to get all the facts in. The Adjuster will assess those facts. Every story has two sides in auto and liability claims; somewhere in the middle lies the truth. Make notes as soon as you can. Pictures are always good too! People’s memories change over time.

And finally, perhaps some of the best advise

6. Remember The three C’s

- **BE CANDID**
- **CO-OPERATE**
- **REMAIN CALM**

Help your insurer to help you!

Bottom line - insurance is a contract. And if you've ever watched Judge Judy, she always says – "Everything is in the four corners of the agreement." In your case, it's an insurance policy.

A special thanks to all my "experts" for their input. Great tips for the consumer.

Words Matter

I know that the first thing you do when receiving your policy is sit down and read it. **NOT.**

So, I wanted to give you an overview of what that insurance contract includes. In other words, use the KISS principle to explain it.

Insurance is a contract between you and your insurer, and believe it or not, there is no such thing as "All Risk." Insurance is not, and was never designed, to cover everything! Generally, all insurance contracts include the following sections with conditions, exclusions and limitations:

- **Declaration's page** – describes, who is insured, when, amounts of insurance and premium
- **Insuring agreements**– what are you covered for
- **Exclusions** – what's not covered
- **Conditions** – Certain requirements or conditions that are required for coverage to be valid
- **Definitions** – Words that have clearly defined meaning for your contract
- **Warranties** – Things that you must do or you may not have coverage
- **Limits and deductibles** – How much insurance do you have, and what is your share?
- **Endorsements** – changes to the above
- **Signature clause** – Signature of the official signing of the agreement

You have rights in that contract. You also have responsibilities as required by law under the Insurance Acts of each Province. These are called Statutory Conditions and must be included in every property or casualty policy issued. There are additional Statutory Conditions for Auto Insurance, many but not all similar.

The following outlines the Statutory Conditions for the Province of Alberta.

MISREPRESENTATION – Don't lie or tell a partial truth to an insurance company. If you do, they can void your policy or rightfully refuse to pay a claim.

PROPERTY OF OTHERS – You can't insure something you don't own, have a financial interest in, or assume responsibility for.

CHANGE OF INTEREST – Insured losses occurring after an assignment due to bankruptcy, insolvency or change of title by succession, operation of law or death are covered.

MATERIAL CHANGE – If your situation or property conditions change, you need to tell your insurer. If you aren't sure, ask.

TERMINATION – You can only cancel a contract on request at any time or by an insurance company giving written notice. Specific penalties may apply if you cancel.

REQUIREMENTS AFTER A LOSS – No, don't just walk away. You must:

- Right away, tell your insurer when and how it happened
- Provide a proof of loss (your insurer will give you a form to complete)
- Prove the amount of your loss.
- Co-operate with the insurer and provide them with the records they request.

WHO MAY GIVE NOTICE AND PROOF OF LOSS – If you can't provide or don't provide the Proof of Loss, it can be given by your agent (under certain conditions) or anyone to whom some or all of the insurance money is payable.

SALVAGE – You must protect your property from further loss or damage after the occurrence, and the insurer will help you pay for it.

ENTRY, CONTROL & ABANDONMENT – The insurer has the right of access to your property, but they can't take control or possession without your consent, and you can't just walk away from it.

IN CASE OF DISAGREEMENT – This one is important! You have the right to a dispute resolution process prescribed by the government if you don't agree with the amount the insurer will pay to repair or replace your property. It's called the Dispute Resolution Process.

WHEN LOSS PAYABLE – The insurer has 60 days to pay you after you file your Proof of Loss.

REPAIR OR REPLACEMENT – Unless you have entered the "Dispute Resolution Process" outlined above, the insurer, instead of paying you, may repair, replace or rebuild and must start within 45 days of you filing your Proof of Loss.

NOTICE – Written notice can be delivered or sent to the Head Office of the insurer in the province. The insurer must contact you at the address on your contract.

Now comes the fun part. You can't take this to the bank or the courts. This is the condensed version of the Statutory Conditions to help make it a bit easier. If you want more, read your contract or talk to your insurance professional.

Choosing your Insurance Provider

Now that you know what types of insurance you may need, how do you find the right provider? One who will not only make sure you have the coverage you need but at a reasonable price.

There are two distribution methods in Canada.

Direct writer

These are insurance agents who provide products from one single source or insurer. The insurance company usually employs the agents. The products available will be those underwritten by that one insurer. If you wish multiple options, the insured must deal with numerous agents to obtain competitive terms and pricing.

Insurance Broker

An insurance broker must represent at least two different insurance companies and, in most cases, have many more. The larger the firm usually, the more insurance companies they represent. You deal with one individual or team. They will approach those insurers that, from their experience, would be suited to your business operation.

In either case, I strongly recommend that you choose your insurance representative as wisely as you would any other professional company or service you hire. In the case of the insurance broker, choose one broker or, at the most, two to act on your behalf when purchasing your insurance. Most insurance companies will only provide terms to the first broker who approaches them.

Do's and Don'ts in selecting your Insurance Representative

Do's

Find someone with insurance education.

The Insurance Council must license all insurance agents and brokers who deal with the consumer in their provincial jurisdiction. However, most professionals in the industry who truly understand this business have either completed or are in the process of completing several courses of studies on the many forms of insurance products available. Both the Canadian Federation of Insurance Brokers and the Insurance Institute of Canada provide a series of classes that end in certificates, some of which are:

- Canadian Certified Insurance Broker (CCIB)
- Canadian Accredited Insurance Broker (CAIB)
- Chartered Insurance Professional (CIP)
- Fellow Chartered Insurance Professional (FCIP)
- Canadian Risk Management (CRM)
- Associate Risk Management (ARM)

Find someone with Experience.

There is much to be said about having a few years of experience in any industry. Insurance is an area that is constantly changing, and it's even more critical to find someone who has worked in the industry for a few years. Their level of efficiency and expertise works to your advantage in determining the right products to recommend and finding and negotiating with the insurers on your behalf.

Check their Reputation

There are many ways to do that, both in your network and online. Ask your network of business owners whom they would recommend. Ask the agent or broker for testimonials. Finally, the internet is a great resource; Linked In, Google Reviews and google itself can help.

Don'ts

Provide copies

And then, ask them to quote what you already have. That's just kicking tires and will not provide you with a complete review of your risks and the available options. Remember, protection is what you are buying and saving a few hundred dollars won't help in the event of a loss if you are underinsured or not appropriately insured.

Approach multiple brokers

As mentioned earlier, insurers typically only quote to the first broker that provides them with a submission. If you have approached more than a couple of brokers, you are wasting your time and theirs, as only seven insurers underwrite the nearly 60% of insurance sold in Canada.

Renew without a review.

I'm not recommending you shop your insurance with alternate providers yearly. I recommend reviewing your insurance with your agent or broker every year. Values change, your operations change, and your financial picture is never the same yearly. Discuss premiums and coverages, and if your broker is good at their job, they will know what the insurance markets are doing regarding expected increases and coverage options. They should see if it's time to shop your account in the insurance market. If you are not confident in them, it may be time to reassess your relationship and look for another provider.

Other Resources

You have chosen your insurance representative wisely; however, you may sometimes want a second opinion or need additional assistance about an issue involving your policy or a claim.

The Insurance Bureau of Canada is the trade association for member insurance companies in Canada. In addition to advocacy with government and regulators, they are firmly committed to educating consumers about insurance and those issues affecting policyholders in Canada. They have four regional Consumer Information Centres across Canada staffed by a team of trained personnel with years of experience who answer thousands of queries annually. Their services are at no charge to the consumer.

<http://www.ibc.ca/on/about-us/contact-us/contact-us-form>

<http://www.ibc.ca/ab/>

The General Insurance OmbudService is an independent dispute resolution service providing free and impartial help for Canadian home, automobile, and business insurance consumers. They also have a free service where trained personnel can answer any questions you may have or direct you to resources that may help.

<https://www.giocanada.org/complaint-form/>

<https://giocanada.org/>

Summary

Congratulations! You've reached the end of your introduction to commercial insurance, and hopefully, you know more than you did before you started. This is just the beginning. Now it's time to apply some of your knowledge and find a broker/insurance provider that will work with you to identify your risks and provide ways to reduce, eliminate or transfer your business risk.

And remember what I said at the beginning, "This brief outline of insurance is just that – a brief outline. It is not meant as the be-all and end-all of insurance knowledge." As our world changes, as your business risk changes, so should your insurance program. Additional products and coverages are available and in development on an ongoing basis.

Feel free to share the information, and if you have any feedback or additional questions, reach out.

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About the Author

Heather Cournoyer, CCIB, CIP

With over 35 years of industry experience, Heather has worked with international insurance firms and owned brokerages. Her clients include everything from entrepreneurs to larger owner-operated businesses. Heather's work today focuses on business owners and entrepreneurs who want to grow and protect their investments. She recognizes that business owners not only provide for their families but also employ other people who depend on the continued profitability of that business to survive. She is well-connected and highly respected in the insurance industry, so frequently, she can make the impossible possible for her clients.

In addition to her work as an insurance broker and risk manager, she has consulted with other insurance organizations providing consumer education, advocacy and dispute resolution.

Heather holds a Canadian Certified Insurance Broker (CCIB) and Chartered Insurance Professional (CIP) designation and is currently enrolled in the Managing General Agent program through the Insurance Institute. She has served on multiple boards and worked with many diverse business operations. By sharing her broad business knowledge and extensive insurance experience, her clients are always safe, knowing they are protected if a significant loss occurs.

She takes her role as an insurance professional seriously and believes consumers deserve to be well-informed and fairly treated throughout the insurance process.

She is a long-time Sherwood Park, Alberta resident, wife, mother, and proud grandmother. In addition to her interest in educating others about insurance, she enjoys the outdoors, music, reading, cooking, hiking, kayaking and people!

Take a look at some of her accomplishments:

- Past member of Advisory Boards for Economical Insurance and Aviva Canada
- Consumer Service officer for General Insurance Ombudservice of Canada
- Consumer Information Consultant for the Insurance Bureau of Canada
- Entrepreneurial Mentorship Certificate from Ryerson University
- Past Director on the Insurance Brokers Association of Alberta Board
- Contributing Author for Canadian Accredited Insurance Brokers (CAIB) Course
- Past President of two Condominium Association boards.
- Past Director Information & Volunteer Centre Strathcona County Board
- Past President of Sherwood Park Ringette and Ringette Coach for six years
- Member of
 - Insurance Institute of Northern Alberta
 - Strathcona County Business Women's Association - Director

Her Motto: "We make a living by what we get; we make a life by what we give."