

THE LARGE PRINT GIVETH

Insurance 101

AND THE SMALL PRINT TAKETH AWAY

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GEB

GILLIS ELLIS BAKER

premise #1.

If you have a good agent

&

If you are involved in the process

&

*If you focus on the cost of risk
and not the cost of insurance*

then

*You will be **OK***



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the purchase.

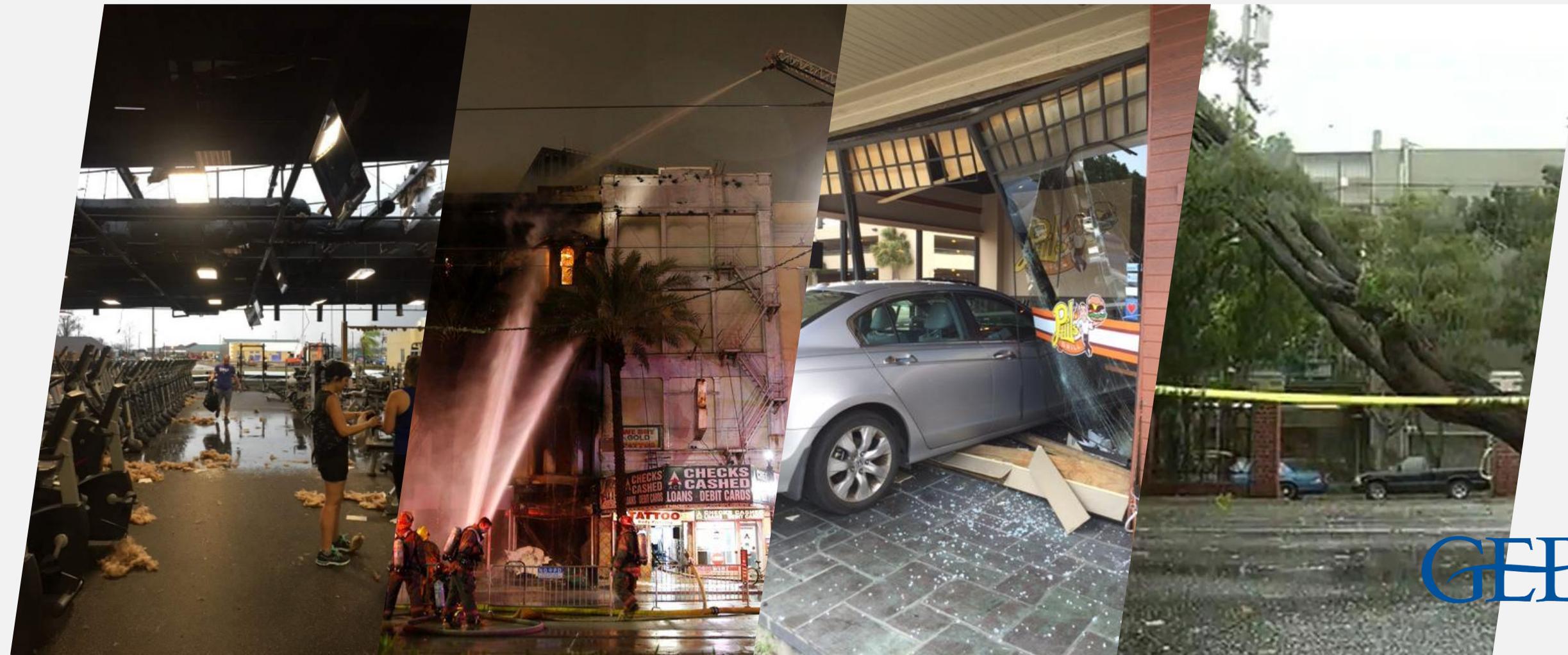
- **Two ways to purchase commercial insurance**
 1. Direct writers
 2. Independents
- **Application**
 - If possible, meet face-to-face at your place
 - Know your stuff
 - Ask the “What if” questions
 - Start 90 days before you need the coverage
 - Get the quote 2 weeks early when possible
 - Check out the company – What the A.M. Best ratings mean



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property insurance.

It won't happen to me...



property insurance.

01

— **Building & Contents - How are they defined?**

02

— **What are perils? Which “form” do I buy?**

03

— **Improvements & betterments vs. contents**

04

— **Business Income - What is it?**

- Business Interruption
- Extra Expense
- Your agent needs your financials

property insurance.

The small print

- Percentage Deductibles –
A % of what?
- What about someone else's
stuff in your care?
- Off premises? Transit.
- Flood
- Equipment Breakdown
- Understanding Coinsurance
(“Did” divided by “Should” times
amount of loss)



coinsurance.

Demystified

- For Sale: Building → 6,000 sq ft
- Great deal on a Building → \$240,000!
- Mortgage → \$240,000
- You purchase insurance on the building at \$240,000. Replacement cost coverage.
- Mortgagee is happy
- Premium → \$4,000
- 80% Coinsurance clause is lurking
- Building is damaged in a fire → \$150,000
- **How much do you get?**



coinsurance.

Demystified

- Adjuster determines replacement cost of the building at \$100 per sq ft
- 6,000 sq ft x \$100 per sq ft = \$600,000
- Your co-insurance clause? Probably 80%
- So you have to insure to \$480,000
- Did (\$240,000) / Should (\$480,000) = 50% x Amount of Loss (\$150,000)
- Your check = \$75,000
- **Now how much does the insurance cost?**



general liability.

Covers Three Perils

- 1) Bodily Injury
- 2) Property Damage
 - At your premises & for your products & completed ops
- 3) Personal Injury

How much is enough?

- \$1,000,000 per occurrence / \$2,000,000 aggregate
- Consider Umbrella / Excess Liability

How is it rated?

- Retail – per \$1,000 sales
- Contractor – per \$1,000 of payroll
- Landlord – sq ft of building
- But, beware the minimum premium
- And the audit

general liability.

More small print

- Personal property of others in your CCC
- Contractual Liability –
could /should be a seminar unto itself
- Contractual liability is excluded –
Then the “give back”
- Subcontractors
- They belong to you
- You pay for them 2 ways
- Your solution - Certificates of Insurance
- Coverage Territory



commercial auto.

- Honestly? Most of the claims are small
- But we have to plan for the *what-if*

This you can handle...



But THIS?!



commercial auto.

The Basics

- Liability – BI & PD
- Do yourself a favor – Go the \$1,000,000
- Medical Payments
- Uninsured Motorist Coverage –
Decisions, decisions
- Collision – means BANG
Go for an affordable deductible
- Comprehensive – Everything else
Ditto on deductible

commercial auto.

The small print

- The non-owned auto (Every business needs this)
- Hired auto (Think rental car)
- Towing & rental
- Size matters (So does location)
- MVRs – Privacy Act (Beware of this one)



workers compensation.

- Yes, you need it
- Covers the medical bills of employees injured in course and scope and 66 2/3 of average weekly wage (subject to maximums)
- Rated based on payrolls applied classification code
 - Be sure you get this right
 - Check the “Scopes”



workers compensation.

The small print

- Owners/Officers can exclude themselves (This is not recommended)
- If not excluded, payrolls are capped for owners/officers
- The audit
- Here come those subs again
- Stay away from the water, or endorse policy accordingly (USL&H)
- Report, report, report your claims (Second payor fund)
- Volunteers

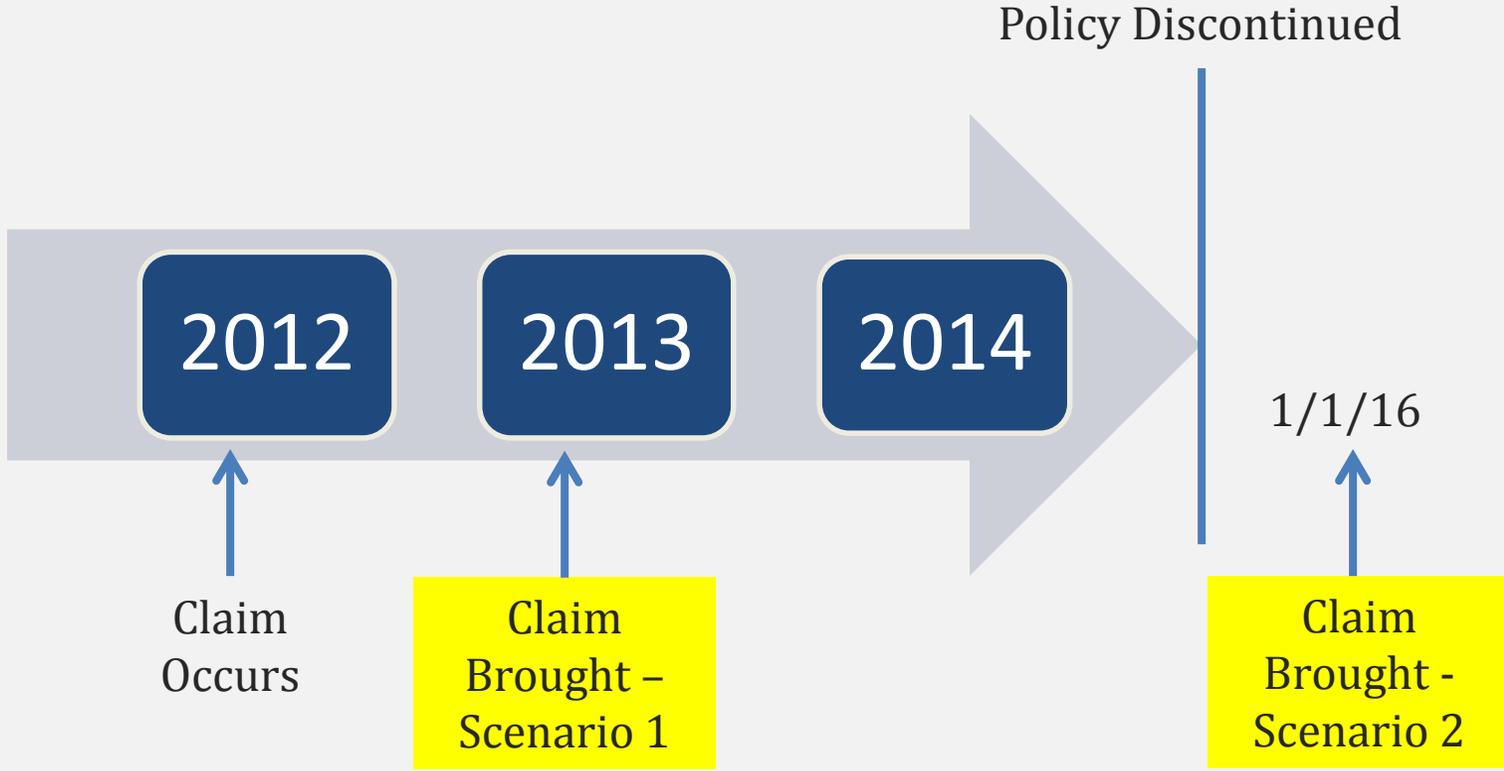


professional liability.

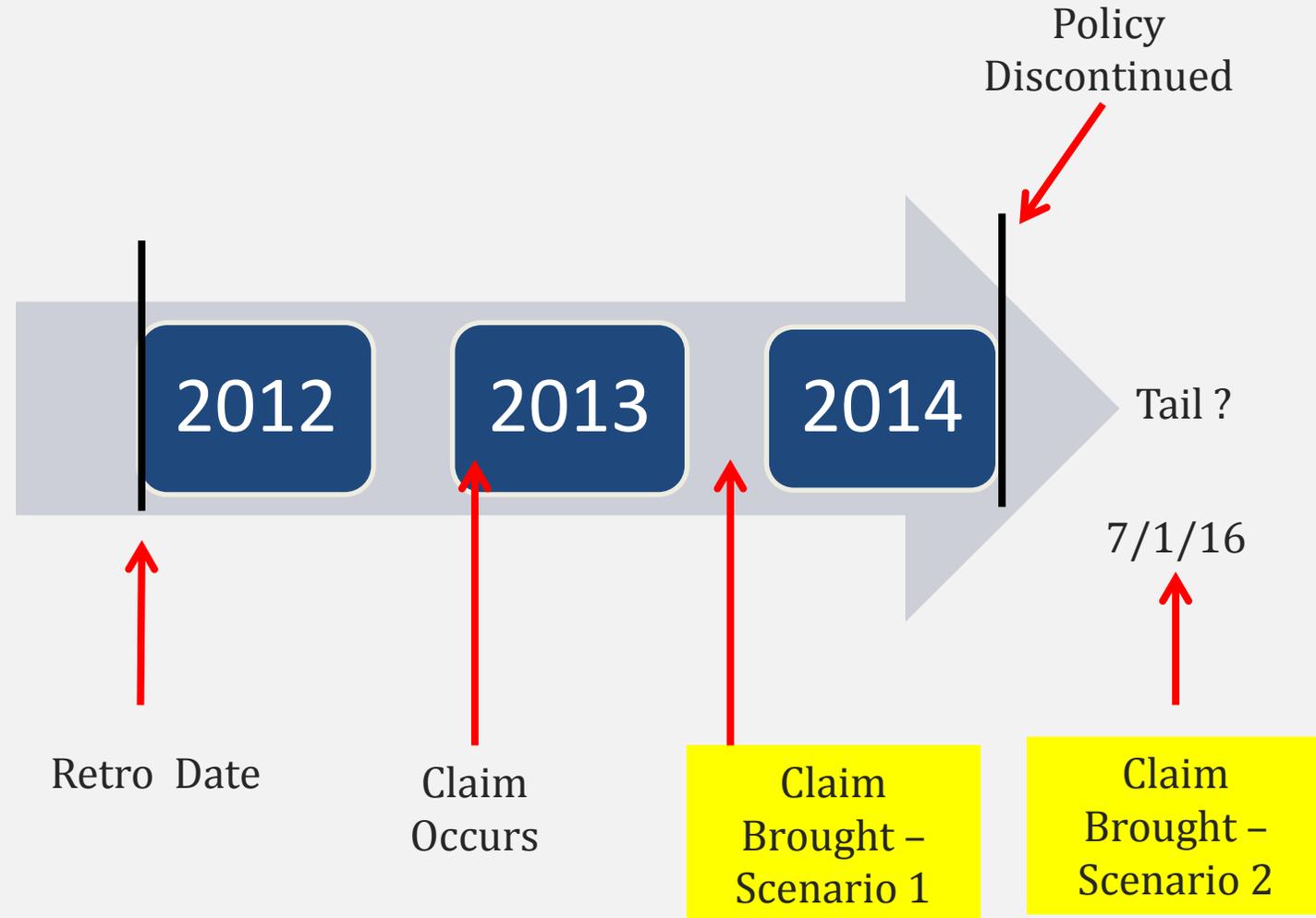
- Malpractice, Errors & Omissions, Professional Liability – essentially the same thing
- Retroactive Date – the wall going backwards in time
- Understand claims made versus occurrence form
 - Claims Made – policy in force at time claim is brought
 - Occurrence – policy in force when claim occurred regardless of when claim is brought
- Tail – aka extended reporting period



occurrence form.



claims made.



professional liability.

The small print

- Define your profession carefully
- The application can become a part of the policy
- Additional insured
- Waiver of subrogation
- Know exactly who and what is covered – Definition of named insured
- Beware the Hammer clause



cyber liability.

The new frontier of claims

- Privacy Breach – 1st & 3rd party claims
 - Notification & Monitoring
 - Legal Liability claims
- Viruses in & out
- Rogue employees
- Cyber extortion
- Publishing
- Trade Mark & Trade Dress
- Social Engineering



what else?



Umbrella



*Commercial
Crime*

- Employee Dishonesty
- Computer Fraud
- On & off premises



*Employment
Practices
Liability –
But it*



*Employee
Benefits
Liability*



*Flood &
Excess Flood
– 30 Day
Wait*

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what's next?

Decide where you are on the scale...



(cost)



(correct)



the cost to you is 12%

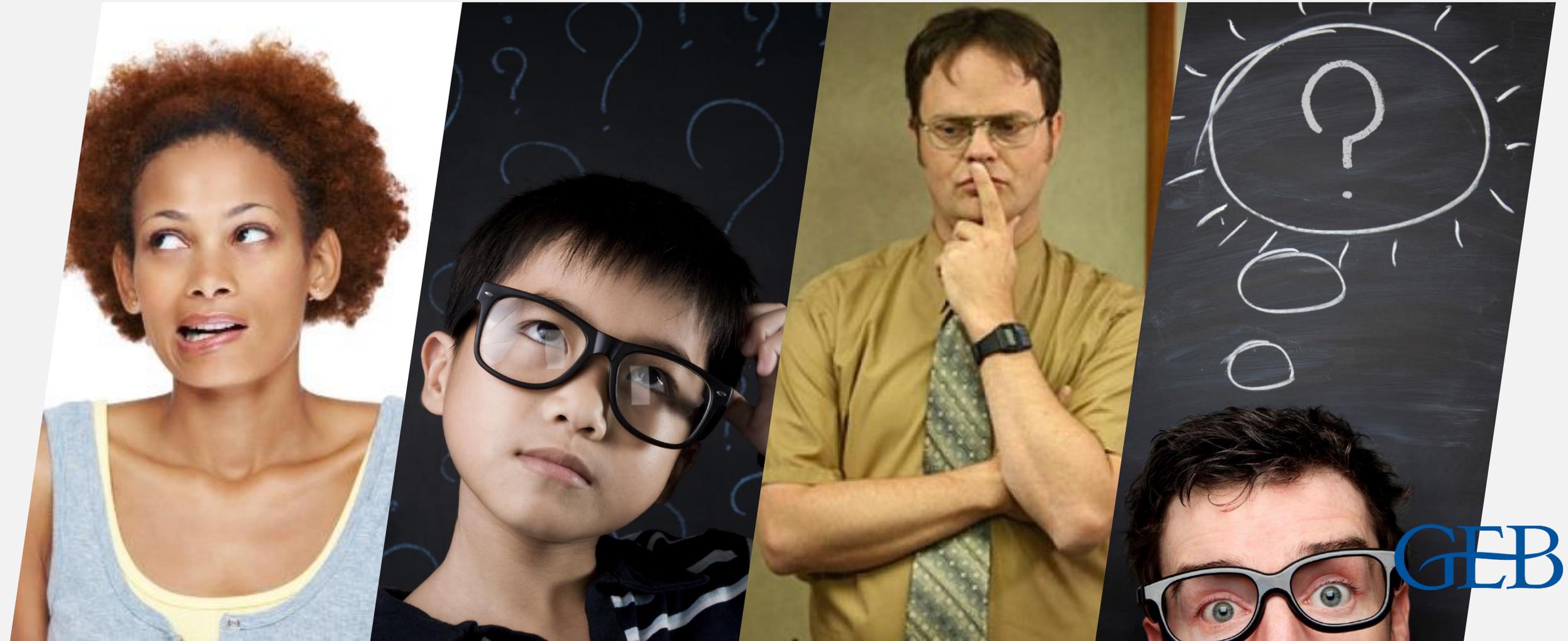
What should you expect?

- Involvement
- Responsiveness
- Risk Management
- Guidance
- A Trusted Advisor.... Not a salesperson
- You are driving the bus



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questions?



contact.

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