



Transcript for Podcast Episode: 012

Securing the Right Insurance Coverages for your Small Business

Hosted by: Michelle Ward and Shawn Cahill

Guest: Jeff Wentzel and Bill Bromiley

Michelle: We are a Modern CPA. Our purpose is to provide valuable information to small business owners on our podcast, Profit Points. We discuss business how tos, give tax tips and dig into real life experiences in the crazy world of running your own business. If you find this podcast helpful, then like subscribe and follow us on social media. Welcome everybody to our podcast Profit Points, where we discuss with professionals, industry experts and other business owners about being in the crazy world of running your own business. And today we have Shawn Cahill, obviously part of MW Group. Welcome, Shawn.

Shawn: Hi, Michelle.

Michelle: And we have Jeff Wentzel and Bill Bromiley from Wentzel Bromiley Insurance. And they are going to talk to us today about insurance for small business owners. So welcome, you guys. Can you tell us a little bit about yourself and how you joined together?

Jeff: It's 17 years we've been in business. 17 years. We've known each other for over 30. So we always say we've, we were in insurance long before we started selling insurance. We met at a local insurance company where we both worked at the same place and always sort of thought we would do it one day and go out on our own, in our own agency. And like I said about 17 years ago, that was a decision we made and went on our own.

Michelle: Yeah, well, you probably had responsibilities already at that point, so you were going out on your own with all kinds of expectations?

Bill: Yeah, we both had young families at the time and to to, you know, take that step and lead stable jobs and go off on your own. It was for two years. It was nerve racking. But like any small business owner, you make that investment initially and in, you know, in hopes that it works out in the future. So 17 years and hopefully 17 more and we'll be doing well.

Shawn: I was just going to say it's a big leap of faith to go out on your own together. Like, did you guys have a really good friendship at the time? How did you know that it was right for the two of you to get in business together?

Bill: Yeah, I think obviously we knew each other for a long time and we were good friends. But, you know, being business partners is different from being friends. So I

think what made it work between us is that we definitely had different skill sets that we were coming together and it kind of it definitely didn't work out the way we thought it would. Honestly, we thought Jeff would be one of the sales and I would be one of the services. And in the first year that kind of blew up. And we both were both doing sales. We both are involved in servicing our clients. So, you know, as things, as the years went on, we've evolved and now it's, you know, Jeff handles mostly the personal lines. I handle mostly the commercial lines. But we both you know, I have personal accounts. He has commercial lines. Accounts, right. Sort of where our expertise is more or less interesting.

Michelle: I think. What was that Jeff?

Jeff: I think we wanted to go out on her own and I think because our interests were both there to own a business and we did make sure that we were a good team before we went out and did it. I think any time you're going to go into a partnership, you really have to know who you're going into business with. And a lot of times it's not just being a friend. Maybe that's your worst scenario to get a small business with a friend. You know, our business ideas were in line. And I think that's really why it worked out well, is because of that that side of it, not the personal side.

Michelle: That's really interesting.

Bill: Planning process to actually I think that process before we even start. It gave us confidence to say, okay, this is something that we could do. Ironically, we were friends beforehand, but today we kind of don't see each other socially, probably.

Michelle: So it might be a good thing. Not because you don't like each other, just because it's probably best for all parties involved and have a little...

Bill: You just really don't have time. And it's especially when the kids were younger and they were involved in sports and everything that was our lives. You know, his daughters with lacrosse and my kids, with baseball. That's just how it happens, right?

Michelle: Yeah. That's so interesting. You know, Shawn and I said, you know, some people don't know that Shawn and I are married. And so not only are we married, but we're also business partners in multiple businesses together. So we see each other all the time and we have children and all of that. But there's a lot of things that Shawn's really good at that I maybe struggle with or am not as good with, and vice versa. So we complement each other in the same way that you guys compliment each other. When you're looking at a good partnership, how can you complement each other and not just say hey you look good today, but what skills do you offer that can make the partnership better?

Bill: I believe that's a really important part of it, and I think what you're saying about the personal side is that's a very small part of it. You obviously have to get along. You spend a lot of time with each other, but it has to be your same ideas on how you will run the business and where you want the business to go. That would be most

important down the road.

Michelle: So yeah, so interesting. So maybe we could talk a little bit about like the types of insurances that you see small business owners needing especially I'd like to go at it at an angle of somebody who's just starting, right? What are the things that they need to be aware of or things to consider when looking at insurance, either for their business or to supplement what they have personally, because now they do have a business. So you want to like give us some.

Bill: Yeah. See, the first line of business that any small business owner would need would be general liability coverage. So if we just take, for example, a small contractor and say somebody is a carpenter, a contractor, he's gonna need general liability insurance, just in case something happens in the event that he's doing repairs at somebody's house, that it's going to protect him if he causes bodily injury or property damage to that house. In addition, if he has to pull a permit, the township in which he's working is going to require that he has at least general liability insurance. As he grows and he hires employees, he'll need worker's comp insurance. Workers comp coverage is going to provide coverage, obviously, if any of his employees are injured on the job. And again, if he has a pickup or van that he's using and then he'll need commercial automobile insurance. And I know earlier you had a question about can someone use their personal vehicle in a commercial setting? They can. However, if it's a pickup or van, I would highly encourage them to contact their insurance agent because there are policies that will exclude commercial coverage or coverage if a vehicle's being used commercially and it's a pickup or van.

Michelle: Oh, that's good information.

Bill: Yeah. If you are a salesperson and you're using your individual car, that's fine as well. You will have coverage in your personal automobile policy.

Michelle: Oh that's really good.

Bill: Yeah. One thing, too, one thing to note is, is that it's a good idea to have a commercial automobile policy if you're in the trades. The reason being is that. If you are in an accident, your commercial entity is going to be sued as well as you personally. That personal automobile policy that you have is not going to cover your company. So you know, unfortunately, I say this, but attorneys tend to use a machinegun and they kind of like shoot everything.

Michelle: Anything that's going to hit.

Bill: And they don't use a sniper. So there gonna sue anybody who's either owns the car, is operating the car.

Michelle: Part of the use of the car.

Bill: So it's best to be as protected as you can be. And yes, a commercial automobile

policy will cost you a little bit more. But at the end of the day, knowing that you have got the appropriate coverage is the right thing to do.

Michelle: So let's talk about that really quick, because I'd like to go back to each one of these just a little bit more. But with the commercial autos and sort of talking about that right now, when somebody has, let's say, the pickup truck or whatever and it's in their personal name and they obviously need to have personal insurance, auto insurance on that. Is the commercial a second insurance then on that automobile? Is that how that works or a rider?

Bill: Good question. They do not need to have the personal they can remove that vehicle from. If they have a commercial automobile policy and it's in the vehicle's title, in their personal name, you can't add it to a commercial automobile policy. And there is an endorsement that we add to that personal automobile policy, giving not just the commercial entity coverage, but also that individual liability coverage as well. It happens every day. In fact, Jeff owns his vehicle in his personal name. I own my vehicle, my personal name. But we have both vehicles insured on our commercial policy.

Michelle: Interesting.

Bill: So we would insure that twice and put it on a personal policy as well.

Michelle: I see. You can drop it under the personal and then just pick it up on the commercial side.

Bill: That's correct. Yes, you can own a personal vehicle and be insured on a commercial policy. You cannot have a commercial vehicle for a commercially titled vehicle and put it on a personal.

Michelle: So an example of that would be I have my client, Mr. Smith, and his company has purchased the automobile, whether it's a pickup truck or van, let's just say. And he can't ensure it personally. It has to be under the company insurance, commercial insurance. If he owned that personally, though, we would still want that company or get commercial insurance on that auto because it's used loosely or used substantially in business.

Bill: That's correct, yes.

Michelle: Is there any percentage like let's say someone uses it part of the time in business? Is there a percentage or are you just me? I'm not really sure. Like or just because it is used in business. Now, you should just probably do the commercial.

Bill: Insurance if it's used in business. Again, I would suggest that they put it on a commercial policy.

Michelle: Got it.

Bill: Specifically if it's a pickup or a van, because there are exclusions on certain policies. You know, again, I would encourage people to contact their insurance agent, give us a call and look out for who those companies are. But, yeah, the best bet is to put it on the commercial policy. That way the entity is insured and the individual is insured. So you don't have to worry about, you know, like I said, an attorney suing both the individual owner and the entity and one of them not having the appropriate coverage.

Shawn: Quick question if you have. So say I'm a contractor and I'm requiring my employees to use their own van or pickup to bring their own tools to the job site and then, you know, drive out, you know, basically use it for that for their employment. Now with that, you know, it's not in the company's name. It's in the employee's personal name. Yeah. Whereas the employee. What would you say. Would you add a commercial rider to that. Yeah. How would you it.

Michelle: That's tricky.

Bill: This is the gray area. Yeah. They don't. They are. They don't have a company, so they can't really insure it commercially. Commercially. So it is in those situations. It's okay when your personal is your policy, if it's not their company. Got it. If they're working for an employer, it happens all the time. I mean, yeah, companies will pay employees to use their vehicles during a period of time. And quite frankly, if I was an employer, I would do the same thing. I would ask my employees to use the vehicles and then get them to pay that vehicle instead of, you know, purchasing additional vehicles.

Michelle: Yeah.

Bill: Yeah.

Michelle: So I'd like to circle.... Oh, what was that? Jeff? I'm sorry.

Jeff: It's more looked at as a commute to work. That's like your personal view on personal vehicle policy. Instead of having their own commercial policy.

Michelle: Understood. Interesting. So talking about employees, the workers comp. Tell us what that is. So someone just starting out is going to say, what the heck kind of insurance is that? What does that actually mean? Workers comp insurance.

Bill: So workers comp is actually required by the state if you have employees. So you're required to have worker's comp if you have any type of an employee. Even some subcontractors could be classified as an employee, maybe not for tax purposes or, you know, again, they would go to you guys to figure that out, whether they want to hire a 1099 or an employee. But there's specific rules that the state says an individual will be considered as an employee. And that would be if the company has or the employee or 1099 subcontractor has control, 100% control over the site, the job, meaning that it's their time frame, they're buying the materials, they're using their tools. And the general contractor or the employer in this case is not engaged in

any way with that subcontractor doing the job specifically for a contract. So it does get confusing, but it's they would be required to have a worker's comp if that individual is classified as an employee. So what does worker's comp provide? There's two parts. It's coverage A and coverage B. The coverage A part is injury to the worker. It's gonna sort of provide medical coverage as well as lost wages to the worker for being out of work.

Michelle: So this is an injury to the worker when they're working at the job site.

Bill: Yes. Thank you for clarifying. Yes. This is an injury to the worker while they're on the job site or working. Okay. And the second part is the employer's liability. It's rarely I mean, I have never seen a claim in 17 years or actually 30 years for employer's liability. But it would be in a situation that an employer, an employee say is sick and that illness is contracted by the employee, spouse or children. And then those people can actually sue the employer. So interesting. The reason for worker's compensation is to actually protect the employer from lawsuits from the employee. So if the employee is, if you do have worker's comp an employee cannot sue the employer for that employee getting injured on the job unless there was some, you know...

Michelle: Gross negligence or something,

Bill: Right then that's where.

Michelle: But. Right. Right. Right.

Bill: If an employee's job is to be a roofer who is on a roof and he falls off the roof, there's no gross negligence against the employer. The employee's precluded from filing a claim against the employer. So that brings us to a situation that we had. We insured a dental office. The dentist owned the office. And when you're in a situation, especially small businesses that own the building that they're operating out of, whether it's a retail shop or something, I highly encourage that. They create a separate entity for the building away from the company and insure that separately. And the reason being is, is that in Pennsylvania, this is not all states, but in Pennsylvania, if an employee is injured on a property that's owned by the employer, they can sue the employer for negligence of owning the, you know, the property. So in a situation. That we had a employee fell down the steps of a doctor's office, a dentist office, and knew that he couldn't sue the dental office because he was an employee. But he did an end around and sued the dentist himself for owning the building. Interesting. They really need to be separate. And sometimes people say, why do I need two policies? Can we put it on one policy? And in some states you can't. In Pennsylvania, you cannot do that.

Shawn: Yeah, that's I mean, that's something we always recommend anyway for, you know, for tax purposes, for other purposes, you know, having the real estate in a separate entity than the operating company. And this is just one more checkbox in the..

Michelle: Reasons to!

Shawn: Reasons to do it. Yeah.

Michelle: Yeah. So interesting. And you know, is there when you talk about worker's comp insurance and probably with any of these, are there different coverages, are there different levels and how much coverage that you have? And is there a minimum that is required then for that?

Bill: So the part A worker's comp is uncapped. So there is no limit. The pool part B, an employer's liability. There are limits that you can select and it's...

Michelle: Okay.

Bill: 100,000, 500,000, a hundred thousand that you can get all the way up to \$1,000,000. You can get those limits. That really doesn't change the premium all that much. And surprisingly a lot of your general contractors work for folks out there that do work for a general contractor. They're going to require certain limits, both general liability, automobile and workers comp that you're going to have to comply with. And they can be they can be adjusted up or down. I think a big thing for employee new companies starting off is really because they don't know how much payroll they're going to have. And worker's comp is priced based on your estimated payroll for that policy year. And it's like paying tax. So what you tend to do is you estimate your payroll and then if your payroll is lower, you'll get a refund from the insurance company if it's higher. And then at the end of policy period, you're going to owe additional premiums. So it's good it's a good idea to, you know, keep in contact with your insurance agent as you are adding employees. So, you know, say you estimate it your payroll to be \$50,000 and then, you know, six months later, you're busy and you're hiring somebody else. And now your payroll is going to be, you know, \$75,000. You need to be able to tell your insurance agent. So you're not surprised at the end of the year, at the end of the policy period, when the insurance company does the performance, they call an audit and you have to pay additional dollars that you weren't expecting.

Michelle: Yeah, and we deal with a lot of small business owners that have these audits. So workers comp audits, we help them gather the information. We don't do payroll taxes. So we usually look to the payroll provider to provide that information to us. But we help gather that for the client and get all that information over to the insurance companies so they can do exactly that. Do that true up of the premium for that year and that happens every year. So yeah, it's definitely something to be aware of. So let's talk about the general liability coverage a little bit. What that's really for a business owner to kind of cover just about not all, is it everything, right. What can happen? But it's kind of like an umbrella policy in a sense. Right? Or how does that work?

Bill: Yeah not necessarily, your general liability policy, if you think of general liability that is providing two coverages. It's covering property damage. So if you cause property damage to someone else outside of your automobile and so forth, it's covering property damage and bodily injury. So if you cause property damage to some of these property or bodily injury, that's it. That's all that that policy's covering. There is

a line of coverage for those who are in the professional lines, whether you're an accountant, engineer, architect.

Michelle: Dentist, therapist.

Bill: Therapist, consultant, and that's called professional liability coverage. Professional liability coverage is a monetary loss. So you've made a recommendation, you made an error, and now it's costing your client money and your client is going to sue you as a result. So that's a distinction between general liability coverage and professional liability coverage, general liability, property damage and bodily injury. Professional liability is errors, omissions and monetary loss of money.

Michelle: So a small business is going to have all of these things and have to have a policy for each one of these things.

Bill: Sure. Another growing line is cyber liability. So if a small business retains a lot of records, as accountants do and as insurance agents do, and a lot of personal information. We need cyber liability insurance so someone does break into our system that lost that expense of rectifying the data loss as well as compensation to whoever data was stolen would be covered.

Michelle: So yeah, that's really good information because we have a lot of people that follow us in this community that are therapists, service providers, people that have sensitive information on their clients or customers, whether it be medical or financial. And so it's really important that they understand that that is a separate policy and may be required or needed. Really? I don't know if it's actually required.

Bill: Yeah, no, there is a line that is not required. Your general liability is going to be required most of the time if you're a contractor, because in order to pull a permit, you're going to have to have it. Mm hmm. But you'd be surprised how many businesses don't have coverage, whether they don't think that they need it or they think it's a small business and it's covered under their homeowner's policy.

Jeff: A lot of the time they just look at the basics that they need for a certificate. So they think that's all they need and they just want to make sure they get through the certificate of insurance with the county or with whoever they're doing work for when they're really not looking at what coverages they actually need a policy or general liability policy we're talking about they generally or package policy. So even though it is providing that bodily injury and property damage that we talked about, a lot of them are package policies that will include a little bit more coverage where it's a, you know, endorsement that will give them the following additional coverages. So you want to make sure that you're looking at what your exposures actually are, making sure that that policy is going to provide that. So this cyber liability is becoming a huge part of, I think, what a lot of professionals need. And even to the point of having this cyber ransom coverage that we're seeing, that one of the changes is that it's not they're not actually stealing the data and selling it because that's too difficult. But what they're doing is they're stealing the data and...

Michelle: Just holding it.

Jeff: You know, that's easier for them. So that's something that's kind of new and generally starting to come into around a little bit more. But again, I think the biggest thing is to look at what your exposures are and make sure that you're covering those the proper way and not just looking at what's required for the certificate that you need.

Michelle: That's a great point. So it really comes down to having a good insurance person because you gotta trust the insurance person to go through that with you. Really understand because as a small business owner, you may not know this is going and you may have never dealt with this before.

Bill: We battle a lot of times, to be honest, is, you know, we're going to tell you what we think is needed and what we think your true exposures are. And it may not be what they want to hear. And that's that's okay. I mean, we're doing that. But I think our biggest point when we came into the agency was to make sure that we were doing the right thing for the client. So if that means you're deciding not to take our advice and go somewhere else, that's fine. But we think what we want to do is make sure that your A: properly covered and then B: hopefully we're doing it at a competitive price. But the absolute number one thing is to make sure that you're properly covered.

Shawn: Yeah. I mean, it's, you know, it's like you're managing risks, right? So you want to make sure that you know what you're offering or what you're telling these clients, potentially potential clients, is this these are the risks that we see the biggest risks. And, you know, this is going to help you mitigate those risks. And, you know, especially you talk about cyber security coverage, but auto coverage, all those things, you know, if there's an accident or if there is a cyber attack, how long are you going to be out of business? Is that going to kill your business?

Bill: Correct.

Michelle: Wow, yes. So all things to absolutely consider is that, you know, some people that are in our community may not have separate entities and they're just working as a sole proprietor. Is there anything that they in addition to maybe even these business insurances that they need to do on their personal side now that they or consider now that they have this business, is there anything special that somebody would need to know or understand?

Bill: Yeah. I mean, I think anyone who has a business, you're going to be viewed as having deep pockets. And what I even though you may...

Michelle: May not be.

Bill: That may not be the case. You're going to be viewed as having deep pockets. And what I mean by that, in a court of law, an attorney, it can be going to spin that. You know, you know, Jeff Wentzel is the owner of Wentzel Bromiley Insurance. And the

perception is that he's going to have a lot of money. So I do believe that you should also have an umbrella policy, your personal you know, your home, your auto insurance. You should have ample liability limits and also a personal auto umbrella policy. And that's going to protect you individually. A lot of businesses, a lot of individuals own their businesses, whether it's stock or they're a member of the LLC. And that's similar to, you know, having stock in IBM or having stock in, you know, mutual funds in the stock market. That is there's a value of that, and you have to protect that value. And the way to do that is to get a personal umbrella policy. And it's and it's relatively cheap. I mean, depending on everyone's situation, know for a few hundred dollars, you can get \$1,000,000,000 of liability coverage, umbrella coverage. That's gonna sit on top of your homeowner's liability as well as your personal loan.

Jeff: A nd you really wanna look at it like a transfer of risk, so that in any time, whatever we're talking about or whether it's your business or your personal life, it's a transfer of risk that you can allow that to be transferred. So if you have an exposure, you know, make sure that you can make sure that you're covered properly. If something were to come up. And in that situation, I think like Bill had mentioned about the umbrella policy, that is such a significant coverage, but for a really reasonable price that you can transfer risk of \$1,000,000 of liability for less than \$200 a year. That's definitely something we're going to recommend. Now, again, if you decide not to take it, that's the client's decision. But in the end, any time you look at things like, you know, your exposures and your personal assets, just making sure that you have those covered, that if something were to come up at a reasonable price, it's definitely what you want to do.

Michelle: Awesome.

Shawn: In this world now with work at home businesses and and you know, you may have somebody you may have a business and you have maybe an employee come working in your home with you potentially, or you're just working home. Is there any additional things they need to consider on their homeowner's policy to help cover these issues?

Bill: Yeah. I think that the homeowners policy does provide coverage if you would add the coverage for business exposure out of the House. Now, a lot of what we're seeing right now is almost temporary, that it's more of a temporary situation than it is a permanent. More of them are turning into permanent. So it is definitely something you want to talk to your agent about just to make sure that that exposure is covered properly. It may be a situation where you do need a separate business policy in place. So that's something that you want to definitely talk about because every case, at least in my opinion, I think every case is going to be a little bit different. So make sure that you do talk to your agent about it and just discuss what would be the right proper coverage to make sure that that's, you know, you don't have any exposure out there that you don't know of.

Jeff: At the very least in your commercial policies to list the residence is an address on the commercial quality, just so the insurance company knows that that is an address

that you're doing business and so.

Michelle: A potential.

Jeff: Or. Yeah. Yeah. Again, it's something that your clients would want to. It's very there are some. Without getting too detail, there are some classes of business that you can get an endorsement under the homeowner's policy. It's called business at home endorsement. But that's very detailed. And it's something that you probably should just talk directly with your insurance.

Michelle: Your insurance agent.

Jeff: Yeah.

Michelle: Great. Great. So do you guys have any other words of advice for any other small business owners before we wrap up today's session?

Jeff: Think long and hard about it before you jump in.

Michelle: Is that from your personal standpoint, Jeff, or is that insurance.

Jeff: From our experience, I think the more you can do up front before you make this decision, is the most important thing. So your business planning, talk to your accountant, talk to your insurance agent and get that information together before you make that, pull that actual trigger. I think there's always a day where you have to decide maybe everything is in 100% line and you have to pull the trigger. But the more you can prepare yourself..

Michelle: And plan.

Jeff: For what you're getting into I mean, it sounds obvious, but it really is true that, you know, Bill and I talked about the agency for maybe eight years before we started the agency.

Shawn: Wow.

Bill: So and I would say, actually, we had a process meeting, like doing a business plan, setting objectives and everything. The process talking to, you know, other professionals and so forth. And that process was a solid eight months of work. Yeah. You know, getting everything planned out. And like I said during that process, especially for those of you that may have or thinking about going into a partnership, it's an important process because you really do get to know your partner from not just whether it was a friendship or how you met. You get to know them a little bit deeper on a, you know, you know, on a business side and what are they going to be able to come through? And, you know, do they have the same commitment that you have?

Michelle: Mm hmm. Yeah. I think it's a learning curve in the very beginning. I think the more

that you do plan, the more questions come up, the more you then find answers for. And then it leads you to another place and you have to talk to somebody else. And so there is a lot of things that you may not have thought of that ultimately become evident, that you have to kind of address this, you know, before or during.

Jeff: I think we've talked about this at one point where and it's also revisiting that plan. So you may come up with a business plan to get you up and running and now you're in business. And guess what? Things aren't always what you plan so on to revisit that plan. And as you get deeper into the business and you're in it for longer to make sure that you keep revisiting that plan. So whether it's, you know, everybody talks about doing business planning and it usually is always once a year I don't why that's the case but really should be monthly and we should really look at what you're doing almost every month

Michelle: Regularly.

Jeff: If not weekly and break that down into weekly goals to really make sure you're on track with what you need to get done.

Michelle: Yeah.

Jeff: You know, again, what would be my advice is, you know, your business plan. Be open to change it and revisit it regularly. That would be my suggestions.

Bill: But if we have one regret. Honestly, it would be not starting earlier we were, you know.

Michelle: Dragging your feet. You mean it was.

Bill: Or you know, I think if we started five years earlier, it would have been great because, you know, three kids we both had kids at the time and.

Michelle: It's a lot of work.

Bill: I think it would have. I think how many times have we said that our only regret is not starting five years?

Jeff: I think you'd know more than you think. You know, I guess what our situation was. And you don't have to know everything. You just have to have a plan to address it when you don't know it. So yeah, I think we could have done it a little earlier, but at the same time, you know, here we are 17 years later and I guess it did work out.

Michelle: It worked out fine. That's right.

Shawn: That's true. That's great.

Michelle: Well, thank you so much for joining us today. And just to give a quick summary recap, we talked to Jeff and Bill about the general liability insurances, worker's comp

insurance and commercial liability insurance on auto, I should say, commercial auto insurance and some of the rules around that and when to have them. So thank you so much for joining us today. And we urge all of our listeners to subscribe to us on our YouTube channel and listen to us on the podcast station that is right for you. So thank you so much for joining us today, guys.

Bill and Jeff: Thanks for having us. Thanks.

Michelle: If you find this podcast helpful, then like subscribe and follow us on social media.