
SPECIAL FOCUS ON

Small Business

Features

BOP or GL: What's Best for Small Businesses?.....	8
SBOs Expect Revenue Growth Despite Inflation, Finds Survey	11
Inflation's Impact on Small-Business Insurance.....	12
Elevated Building Costs Can Present Gaps In Insurance	13
Friendly Fraud and Chargeback Fraud	16
Reputational Risk Management for Small Businesses	17

BOP or GL: What's Best for Small Businesses?

By: Sean Brownyard

We are living in the age of the new entrepreneur. According to a study conducted by financial services software company Intuit, 17 million small businesses will open in the U.S. by the end of 2022. Should that happen, it will mark the third straight record year of growing entrepreneurship, continuing a trend that started when work conditions shifted for many across the globe at the start of the COVID-19 pandemic.

New business owners in New England face some shared challenges that nearly all new entrepreneurs experience when they choose to open their retail store, repair shop or salon. They will need to find new customers quickly. They will need to determine how they will manage business essentials like accounting, payroll or website development. And they will need to obtain adequate insurance coverage.

For insurance agents either new to or currently offering business insurance products, it's a great time to be in the insurance business. More new businesses means more new business for

savvy agents. However, while most entrepreneurs share a passion for whatever business they choose to start, that same passion does not necessarily carry over to tasks like choosing an insurance policy. Yet selecting the right type of insurance is just as important to the long-term health of a small business as the products it sells or the services it offers. Enter the agent, offering small-business owners access to more affordable and comprehensive insurance options than to prior generations of entrepreneurs.

Importantly, insurance agents should not take a pro forma approach to insurance coverage. Understanding the nature and scope of the business, and its related risks, will ensure the business owner is best protected while creating a mutually beneficial beginning to the agent-entrepreneur relationship.

Understand Small-Business Risks

Before making any decisions about the types of policies or the amount of coverage a small business needs, entre-

preneurs should first think about the types of risk they may face. In my work with small businesses, I see three types of risks rise to the forefront most often.

- **Business Interruption:** When a company experiences a devastating event, such as water and smoke damage from a fire or a partial roof collapse from a blizzard, a business may close for an extended period. As a result, the business owner will lose out on any business — and the resulting capital from that business — they could have generated during that time. As very few small-business owners are flush with excess cash, it is particularly important to protect their ventures from business interruption risks.
- **Slip, Trip and Fall Incidents:** Accidents, especially slips, trips and falls, are the second leading risk faced by small-business owners. Many new entrepreneurs understand the financial risks of accidents: If a customer enters their business on a rainy day and slips on a wet floor

and suffers an injury, that customer will likely seek financial compensation from the business owner. That very same customer could take to the internet with a negative review of the business, putting its reputation on the line. Protecting against such accidents will not only protect a new business's financials, but also its reputation and ability for future success.

- **Security Breaches:** The third most common risk is security. For entrepreneurs starting a small retail business, shoplifting is a top security concern. According to a Business.com survey conducted earlier this year, 54% of small-business owners surveyed reported an increase in shoplifting in 2021. One in four said they dealt with shoplifting on a weekly basis. Small businesses run a higher risk for shoplifting than larger merchants because they don't have the capital to invest in security personnel and systems. When left unchecked, risks like shoplifting, petty theft or vandalism can create hefty expenses for small-business owners, leading to a potential rise in prices to cover the costs incurred.

Know Your Insurance Options

New entrepreneurs who want to insu-

late their small businesses from various risks have two options: a General Liability (GL) policy or a Business Owners Policy (BOP).

A GL policy will cover a broad array of liability claims, such as alleged bodily injuries suffered at a business (such as slip-and-falls), property damage caused by a business and advertising or personal injuries such as slander, libel or copyright infringement. With a GL policy, business owners get coverage for court costs, attorney's fees, settlements and judgments for lawsuits filed by third parties.

The downside is that a GL policy only offers liability coverage and small-business owners may need to add other coverage with a rider or through purchasing other policies, tallying up the costs quickly.

Most BOPs include general liability insurance to cover slips, trips and falls. They also include property insurance that covers damage to assets inside a building caused by theft, fire or windstorms. They may also provide business interruption coverage, allowing business owners to get reimbursed for their losses when a covered property event forces them to close their shop for an extended period.

While offering a simple and affordable option for small-business owners, BOPs generally do not offer professional liability coverage, which is required by some states for many business classes. BOPs are also not designed for riskier businesses, so small businesses seen as risky by insurers, such as a restaurants, trucking companies or medical professionals, will not be eligible for BOP coverage.

The key benefits provided by each type of policy include:

BOP:

- Offers deeper coverage for lower-risk businesses.
- Offers cost savings by bundling policies.
- Eases the complexity of obtaining business insurance.

GL Policy:

- Assumes more risk than a BOP policy, allowing small businesses with a more complex or risky model to find coverage.
- Can offer more customized coverages for specialized needs through a package policy, group of policies or a rider.
- Offers more beneficial coverage for larger businesses, providing options for new or small businesses once they grow to a certain size.

Designed for businesses with fewer than 100 employees or less than \$5 million in annual revenue, BOPs best suit lower-risk businesses, such as retail stores, repair shops or salons. A GL policy, or specialized GL policy offers more customized options for mid-to-large sized businesses or small businesses that take on more risk or have more specialized insurance needs.

Choose Wisely

New entrepreneurs face many challenges as they start building their small business. Finding quality insurance coverage shouldn't be one of them. When working with a business owner, insurance professionals should advise and educate them whether a BOP or GL policy can best help reduce their cost of claims and set them up for future success. ■

Sean Brownyard is senior vice president of operations for the Brownyard Group.



Interested in selling to a local insurance agency?

Risman Insurance is ready to buy with terms that match your goals, including cash, quick closings and no retention deals. As a Massachusetts 5 Star Agency, we are insurance professionals you can trust with your business.

Contact Henry Risman directly at 781-475-5132
or email HRisman@Risman.com

All discussions are held in strictest confidence.