

Corey Rekers (00:11)

All right, welcome back to the Accel Advantage podcast where we discuss insurance and financial services for our business leaders. I am your host, Corey Rekers, and we are here today with Rachel Lee, our Director of Commercial Lines for our Premier Business Unit. Today we're gonna discuss how to insure your Main Street business

and some potential myths about what coverages are needed depending on your personal situation. So a little background about our guests before we get started today. So Rachel graduated from Wartburg College in Waverly and joined us back in 2019 as a business insurance advisor. She worked with clients throughout all of Eastern Iowa and as a result of that we asked her to move into a role where she can now specialize in working with those same local independent businesses. She's done a great job leading our department ever since.

that time. So she's married to her husband Sean who also ironically enough is in insurance. They have two kids together where they share a love of music and fun fact... just recently took up learning the piano. So Rachel, let's start there.

Rachel Lee (01:12)

Yes, yes, thank you for the intro, Corey. I'm really, really happy to be here. Yes, the kiddos and I are both learning piano at the same time. They have a 30-year head start on me. But I should have prepared some intro music for you today, but I'm still learning the basics, so.

Corey Rekers (01:33)

We'll get that on the agenda for next time, all right?

Rachel Lee (01:35)

Yeah,

yeah, exactly. Thank you. I just wanted to share a quick stat from Next Insurance. They're one of the carriers that we represent who specializes in the Main Street business space. But they surveyed 500 business owners...

And a couple of takeaways that really stood out to me were that 69 % of small businesses struggle to understand their policies, their coverages, their limits, and even a little bit more unsettling, 13 % of business owners, don't feel that they're fully prepared for risk with their coverages. Sadly, I agree

with the stats. I got a lot of those sentiments from local business owners back in 2019. Heck, I still hear that stuff today. And I think that's really what drew me to the leadership role at the Premier Business Unit. I'm gonna say PBU for short. We call it PBU here at The Accel Group. So in my time spent going door to door, I really did learn how much counsel people in the main street

space needed. Local business owners, they have hustle. You have to have hustle. They work long hours. They juggle job roles of multiple people. So they really don't have a lot of time or energy to become insurance

experts. I'm also the daughter of independent business owners. My dad, he's a contractor. He can do anything.

But he mostly frames and roofs, and I vividly remember driving past his job sites and seeing those tripod-mounted lights on well into the evening. My mom's the accountant, so she would be invoicing and scheduling on the weekends. So I say all of this because it really has been full circle joy

to be able to share my firsthand experience of privately owned businesses with the clients that we serve. And also in a way, it's like paying tribute to my parents' hard work by helping advise other people who've chosen the entrepreneurial path.

Corey Rekers (03:47)

Rachel, thank you for sharing that with us. Obviously paying tribute to your parents with all their hard work and dedication to their trade and pretty much everything you've done since that moment. So what are some things you do to kind of help our business owners that are managing the insurance process? They obviously, like you shared earlier,

have a ton on their minds and their plates are absolutely full. Whether they're managing employees, performing the actual work themselves, not to mention, you know, no one ever talks about this, but the accounting, the marketing, HR, everything else that comes with having your own business.

Rachel Lee (04:09)

Right.

Mm-hmm.

Yep, you got it exactly right. In short, they just juggle a lot day to day. And learning business insurance probably isn't very high on their to-do list, but really a basic knowledge of what coverage they have, what coverage they need, that part is important. And so that's why I'm here to help with that a little bit today. So in today's episode, we are gonna be debunking

some common misconceptions that Main Street business owners may have about insurance. So the goal here is to make sure that business owners like my parents feel safe, confident, and protected.

Corey Rekers (05:04)

Awesome. So the misconceptions you're talking

are they industry specific or do they apply to pretty much all small business owners that you work with?

Rachel Lee (05:14)

Yep, so they can really apply to any industry, but there are some that I'm gonna talk about that certain industries do wanna pay a little bit closer attention to. So once we get to those, I'll be sure to call out the specific industry that needs to listen up.

Corey Rekers (05:32)

So the first one is I don't need general liability insurance because I run my business from my home. So let's get started there, Rachel.

Rachel Lee (05:42)

Perfect, so yes, that's a common one. That's a common insurance myth. So this is especially important for those business owners who started to do business differently in the pandemic in 2020. So as we all remember, many business owners closed their brick and mortar doors around that time. So general liability insurance.

It primarily covers bodily injury to people outside of your business and physical damage to their property. So I've heard it more loosely termed slip and fall coverage. So listeners who have a home-based business, they may be thinking, well, my customers aren't in my home. So there's certainly no chance of anybody slipping and falling in my home. So I don't need this coverage. And that is where the misconception lies.

So even if you run business from home, you still likely need general liability insurance because it has sublimits. So I'm only gonna talk about a couple of them today, but products and completed operations, personal and advertising injury. So those sublimits, they are maximum amounts for certain types of losses within the general liability policy's total limit. I'll give you an example.

So we insure a carpenter, like my dad. So his office is at home, and he does the scheduling and the invoicing from home, and he builds cabinets at home, but then he installs the cabinets at somebody's house. So the work is completed, the carpenter leaves, and a couple months later, the cabinet detaches, and then it destroys a customer's countertops.

So even if you work from home, but you install something for a customer, you're still responsible for it after the job is finished. So products and completed operations, PCO. So PCO coverage, it protects you if your work causes damage or injury later.

Corey Rekers (07:46)

So in this case, it actually caused physical damage to that customer's countertop because those countertops, they collapsed and hit there and it could have been, could have been quartz... It could have been something where it's damaged and now your general liability policy is gonna kick in and pay for that damage, correct?

Rachel Lee (08:04)

You got it. Yes.

Corey Rekers (08:06)

What about someone who does like virtual work? So does products and completed operations, does that apply to them too?

Rachel Lee (08:14)

Good question. So in virtual work, PCO probably doesn't feel as intuitive because purely virtual businesses may not need it. PCO, again, that applies like the example we just talked about when your work results in

like a physical product that later causes bodily injury or property damage.

But a general liability sub-limit that can apply for a virtual-based business is called personal and advertising injury. So this protects a business if it's accused of hurting someone's reputation or privacy because of something it says or publishes. So if you're digital marketer and you're accused of copying another company's slogan or ad concept,

this liability can protect you. So truly, working from home doesn't eliminate all of your liability risks. It just kind of changes the landscape of the types of exposures that you might face. So GL is still a necessary coverage for all business owners.

Corey Rekers (09:17)

Yeah, that makes sense. Obviously, GL or general liability is something that we can agree we can debunk this

every business owner should have, regardless of where you are, where your work is being performed.

Now, you're probably wondering, what does that cost? Well, it can be a number of ways. It could be off of gross sales, employee payroll, square footage of your facility, if you have a facility. So there's a number of factors that go into that, so we won't get into that today...

but instead we're going to move on to myth number two. So myth number two is I don't need cyber liability insurance because my third party vendor takes care of all my credit card and payment information.

Rachel Lee (09:56)

Yes, calling all small business owners. Everybody needs to know this one. So anybody who has an online presence or uses a third party payment processor, they can be a hacking target. So a specific industry call out for this one would be retail. So grocery stores, boutiques, hackers, they're unfortunately becoming increasingly sophisticated at what they do.

They attack to gain what's called customer PII or personal identifiable information and other private proprietary information through things like malware, phishing, ransomware. So even if a third party vendor like Square or PayPal, even if they're processing your customer's payment information, your business may still be held responsible for breaches of

stored data. So if you think about it from the customer's point of view, they paid you. They gave you their information. Their relationship is with your business. So when something goes wrong, they're not thinking about the third party payment processor. You as the business owner are the first target.

Even if that breach happened somewhere else legally and contractually, you are the data owner because you chose the processor, PayPal is thought of as more of the data handler.

Corey Rekers (11:23)

Yeah, I think that's where people get some of that stuff mixed up. ... So what about when a business has like a a Facebook page? ? Will there be cyber coverage if the insured had a... let's say in this case a business page and they were hacked there?

Rachel Lee (11:25)

Yes.

Mm-hmm.

Yep, potentially. So social media hacks, those are contemplated in cyber liability policies too. Like I said, hackers, they are good at what they do. So they could gain access to your Facebook page, change your login info, and they could run fraudulent ads. It's scary stuff. They could post inappropriate content or even direct message customers with scams.

Corey Rekers (12:05)

Yeah, anyone who's ever experienced that individually knows it's kind of a pain to get it reconciled. So on the business side, at least in this particular situation, they would have some help with their insurance company to kind of work through that process.

From your perspective, Rachel, do you feel like Main Street businesses potentially have more exposure when it comes to cyber related scams? They don't have the team or the department dedicated to this.

Rachel Lee (12:30)

Exactly. Yep. Like I said, local business owners, have multiple job titles. They're the sales person, they're the accountant, they're the HR person, and they're the IT tech. So, you know, it can be easier to hack a small business owner who's extremely busy and they may have like lesser protections like multi-factor authentication. That's when you get the text message with the code and you get the email to kind of say you are

who you say you are twice. They may not be able to provide regular updates, train their employees, or have formal security policies. So these gaps make those privately owned businesses just a likelier target.

Corey Rekers (13:13)

Everything that's happening in the cyber liability space is the policies and the policy language has really changed in the market over the years as different things have happened. It evolves just like the technology does, right? So if you're a small business owner, sounds like if you're unaware of some of these things or unsure, it's probably best just to talk to a qualified agent about your personal potential exposure.

Rachel Lee (13:20)

Yep, right.

Yes, that is what we are here for.

All right.

Corey Rekers (13:42)

Let's do number three, let's do it.

Myth three is I do not need a commercial auto liability policy because we don't have any company vehicles.

Rachel Lee (13:53)

We come across this one a lot. Yes, you may not have company vehicles, but your business can still be brought into a suit involving hired or non-owned vehicles. So by definition, a hired auto, that would be a rented, a leased, a borrowed car, and a non-owned vehicle is one that the business doesn't own, but an employee does. So let's say an employee hits another vehicle,

and they're driving their own car to deliver paperwork. So that's where what's called hired and non-owned auto liability could protect your business.

Corey Rekers (14:32)

so let's play this out for a second. So wouldn't the employee's personal audit policy, wouldn't that insurance handle the situation?

Rachel Lee (14:42)

Maybe. But the business can still be sued if somebody gets hurt. You also have like potential work comp. exposures too if your employee gets hurt in the accident. So certainly the driver's personal auto insurance could be primary, but lawsuits often name the driver and the business, especially if the employee were running an errand on behalf of the business when something happened.

So also, you know, what happens if the driver's personal limits are too low? Or what happens if their policy language specifically excludes coverage while they're on like a business errand?

Corey Rekers (15:22)

Yeah, it makes sense. You see this a lot like in delivery drivers. So think of the pizza delivery driver or someone that's using their vehicle on company time and delivering goods and services to that client, whoever that might be. So I'm pretty confident that this is not top of mind for a lot of our business owners. This would be considered one of those gotchas, I think, for somebody.

Yeah, who's thinking, okay, I don't have an exposure here. I don't have any business auto policies. All my stuff is personal. So again, this is kind of showing the value of having someone run through all the potential situations, asking you the questions, and then finding out for yourself kind of what you need. Does that sound right?

Rachel Lee (16:03)

Yep, absolutely. I hope that's how we're helping today, Corey Rekers. But I do encourage all business owners, you know, lean on an insurance professional to offer more detailed, informed.

advice.

Corey Rekers (16:17)

So I think that's enough on three. So myth number four, I do not need workers compensation insurance because the people who work with me are classified as either 1099s or are an independent contractor.

Rachel Lee (16:32)

I love this one. Contractors, listen up. I have seen this misconception cost thousands of dollars. So first off, you purchase workers' compensation insurance so that your employees give up the right to sue if they should get hurt on the job. Again, they'd have work comp. benefits if something like that happened, like disability pay. So every state's laws are different.

And in Iowa, if you're a true independent contractor or somebody who works independently of you, works freely from you, they don't require work comp. coverage, but there are plenty of exceptions that you don't want to get caught up on. So misclassification is a common one... if someone's truly a 1099 contractor,

they really should have their own general liability policy to prove it. So having their own policy, that would indicate that they truly do work independently of you, and then they can use the benefits that their own policy may afford. They should also list you as what's called an additional insured on their policy. So doing this helps ensure that their policy defends you if you're named in a lawsuit,

but they actually cause the bodily injury or the property damage. So if you are labeling someone as an independent contractor when they should legally be an employee who's on your payroll, that can lead to really costly fines, penalties, and sometimes even legal issues. So a cheat sheet, I guess. Here's a way to determine whether someone should be on your work comp policy.

You should really ask yourself, do they work for only me? And if the answer is yes, they should be on your work comp. policy. Do I tell them where to go, when to show up, what to do? If that's yes, you're really kind of acting as an employer and you should consider placing them on your work comp. policy. Do they have their own general liability insurance? Now, if the answer is no,

then it really can't be proven, as far as an insurance auditor is concerned, that they work on their own too.

Corey Rekers (18:49)

So let's just take this through an example, right? So what happens if you don't insure someone on your workers' compensation and the auditor determines they don't have their own general liability or work comp. policy and they are found to be acting in the capacity really of basically just working for you. You're giving them the direction. You may even be giving them the tools to work with. ... They're basically acting as if an employee of your firm.

Rachel Lee (19:16)

Yep.

Corey Rekers (19:18)

What, in short, happens there?

Rachel Lee (19:20)

Yep. So they're classified as an employee and your business could be charged retroactively. So once your policy term is over, the auditor will ask what your actual payrolls for the year were and then they compare the actuals versus the estimated payroll. So you pay for estimated payroll, what you think you're going to pay your employees over the course of the policy term.

Then the policy ends and the auditor says, okay, what are your actuals? And again, they compare the actual versus the estimated. Your work comp. premium is based upon what you think you're gonna pay in payroll. So if the auditor finds that someone is not covered on your work comp, but they really should be, they're gonna add the wages to your audited payroll. And if the actual payrolls far outweigh what the estimated was, you could receive a surprise

audit bill, a premium bill. And that bill is due immediately. It is not spread out over the course of time. So since contractors have such a risky job, the cost per \$100 of payroll is higher. So it's really important to determine someone's status upfront. Are they an employee or are they a 1099 independent contractor? So ask for that proof

of general liability coverage. We have dealt with this scenario so much in our department over the years. You know, the general contractor doesn't make the ask, and then they end up with a \$5,000 audit bill on top of the premium that they already paid for their policy term. So it gets really tough.

Corey Rekers (21:04)

Yeah.

Yeah, this is one that is is hard, especially on the contracting side of business. And a lot of folks will come back and say, that's not fair. They're retro billing me for something that I didn't use. Well, you technically did. And, you know, this sounds like a very complex issue, Rachel, but really it isn't if they simply ask for a certificate of insurance or proof of coverage

Rachel Lee (21:19)

Right.

Right.

Corey Rekers (21:35)

for the people doing work on their behalf, is that correct?

Rachel Lee (21:37)

Absolutely, that is a great place to start. Super easy. Before you allow somebody on your job site to work, just make the ask. if they don't have

liability insurance, but they do work on their own, you know, just tell them they can't perform the work until they get the insurance in place. And add you as an additional insured on their policy. And if they do have insurance, great.

Now they just need to add you as an additional insured on their policy. So all of these asks, they are so common in the contractor space. So, you know, nobody would be put off by being asked those questions or to provide those proofs of coverage.

Corey Rekers (22:18)

You deal with this pretty much on a daily basis. Those that aren't used to this, they sometimes just don't know what to do. And so thank you for walking through that part. ready to move the number five?

need professional liability insurance because I already have a general liability policy. So why do I need that?

Rachel Lee (22:37)

Yep, so if you had to go to school or gain a certification to offer expertise or judgment, specialized services, you may need that professional liability too. So in short, we're gonna backtrack a bit. General liability is designed to cover physical harm. That's back to that slip and fall coverage. But professional liability,

that's loosely termed like errors and omissions insurance or malpractice insurance. That's about the mistakes in the council or the specialized services that you offer. So in fact, most general liability policies, they just outright exclude loss caused by errors, omissions or poor judgment.

Corey Rekers (23:21)

Okay, so being that's the case, can you give the listeners maybe a real life example of this?

Rachel Lee (23:26)

You bet. So let's say we have a marketing consultant and they give bad advice and they cost a client a lot of money. So that's exactly what professional liability is designed to help with, to respond to. But let's say they're in that same meeting and the consultant spills coffee on the person in the meeting and burns them. So that's back to that physical harm, right?

So that's where the general liability may kick in. So a good rule of thumb that my team and I draw on all the time is general liability covers what happens around your work, while professional liability covers the quality of your work.

Corey Rekers (24:11)

All right, that's a great way of putting it. So what about types of industries that you work with that might need professional liability from your experience, Rachel?

Rachel Lee (24:21)

Yes, that's a great question. So not everybody can just like wake up and be a veterinarian or a cosmetologist or a mechanic, optometrist. So these are just a few examples, but you need to receive some type of specialized training to do this work. Like, that's what professional liability is all about. So if you're in an industry where you need higher education to perform that quality work,

ask your trusted insurance professional about professional liability.

Corey Rekers (24:55)

So that takes us through all five. This has been a lot of great information for our listeners to consider for their business. So as a final send off,

What do you ultimately want some of our Main Street business owners to really know when they're comparing business insurance policies and maybe choosing the right agent for them?

Rachel Lee (25:18)

Yeah, I hope I answered some questions that Main Street business owners may be pondering on when it comes to their insurance. If I can say one thing, the goal is not to be a subject matter expert on your policy. We know you don't have time for that, but it is important to employ the help of an insurance professional that you trust and again, have a baseline understanding of what you might need.

So that way when you're in the space with that professional, you can really ask some informed questions and get the best coverage there is for your business. So if you haven't had it reviewed in a year, especially if your operations have changed in any way, now is really the time to do it. And I'm happy to assist in that quick no pressure review.

Corey Rekers (26:05)

Cool, so how does someone who runs that small business, how are they going to get in touch with you?

Rachel Lee (26:10)

Yes, Email me at pbu, Premier Business Unit, pbu @ acceladvantage.com or you can call any of the Accel Group's offices and ask for me. I'm Rachel Lee, and I strive to treat every business owner like my parents. Their construction business is one of our insureds, and I treat you just like my parents.

Corey Rekers (26:32)

That's awesome.

Thank you so much for for joining us today. I know I learned a ton. So I know our listeners did too.

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