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ASK AN INSURANCE EXPERT



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Q: Business insurance is confusing. What insurance coverages are important for me to carry, and with whom should I do business?

A: I agree that insurance can be confusing to Canadians, however, the ordinary consumer is more savvy than ever before. An insurance broker is an important professional intermediary who should be working on behalf of their client, with an unbiased representation of the consumer suggesting several insurance companies to choose from to provide the best possible insurance solutions for your needs.

There is a temptation for consumers to choose insurance solely based on the premium in order to control the ever-important cash flow issue. However, discovering that you have a lack luster policy while your building, and the business income it generates is on fire, is not a wise time to investigate and discover that your policy is an inferior one.

Business Property Coverage:

No one property policy covers “everything”, but there are basically two types of property policies. One covers for Named Perils, and the second, All Risk, the second being the broader of the two. The All Risk policy specifically defines coverage by the exclusions within the policy. In other words, if it isn't excluded, it's covered. It is important to note that the All Risk policy excludes several perils, including Sewer Back-Up, Flood and Earthquake, coverage that may be difficult to obtain in Provinces such as British Columbia.

You may have unknowingly committed to your landlord within a lease agreement certain coverage, or unwittingly assumed all liability. Give your broker a copy of the lease agreement and have him/her review it prior to the closing.

If you are a building owner, you will need insurance on the building to satisfy the bank, if you hold a mortgage. Then, consider your contents, and divide the required limits between equipment, stock, office contents and computer equipment. Other questions to ask are: Do you have contents that go off-site? Are my vehicles, or the employee's vehicles delivering this product or service? What is excluded from the property policy? Can I obtain coverage for these exclusions through endorsements?

Business Interruption Coverage:

This insurance coverage is potentially the most important coverage you can have. This cover indemnifies you for lost profits or earnings during the indemnity period. Depending on the coverage you select, it can indemnify your earnings until your doors are “open” for business, or fully until you are back to where you were before the loss. There are other important coverage frills which you will want to discuss with your broker. It is important for you, additionally, to consider what standing charges you have to the franchisor. Are there royalties/commissions that are due to the franchisor on a monthly basis, irrespective if you have had a loss? It is important that your broker be given a copy of the franchise agreement and disclosure documents for their review. As well, have your accountant complete a business interruption worksheet to determine the amount of coverage you require.

Liability

No other line of insurance seems as impervious to the insurance cycle as liability. While other lines of insurance have returned to post strong loss ratios and therefore have provided premium decreases to consumers, we have not seen these decreases as quickly in their liability premiums. A full Commercial General Liability policy covers both premises and products liability. Are you deemed as a “professional”? If you are, the CGL policy will need to carry Professional Liability policy as the CGL policy excludes professional liability. Canadian courts are showing an increased willingness to hold professionals to a higher standard of care. It's important to note that the currency with which a claim will be defended or settled is in Canadian funds. ❁