

# Business Advisory Group

The Small Business Doctors

## Thinking about Insurance!

At one of our previous consultations we dealt with a young, enterprising person who appeared to have done her home work very well, i.e. business plan, financial projections for a realistic marketing plan for the coming five years. It all looked promising with one exception: the entire planning and future projections were dependent on one person: our client. While we were able to add some refinement to the plan, the key issue that sticks to mind and it probably is applicable to many entrepreneurs is the absence of provision of “Long Term Disability Insurance”.

To help you start thinking about this, here are a few basic facts:

- Most small business owners are unprepared for an accident or illness which renders them incapable of working for a long period or time.
- Few people plan for such an eventuality, and this would play havoc with the best business plans, especially if the business is solely dependent on one person.
- Getting the right level of disability insurance requires research and careful analysis of different policies, with an eye to your particular needs.
- Most of these policies have stipulation of the provisions of the insurance amount and the period of eligibility, therefore careful planning of this is vital to the success and continuity of a small business.

## Talk to your insurance broker:

All of the above: accident, illness, disability, etc. is a part of what is considered “Risk Management”, which should be addressed by every entrepreneur. While this subject would require a lot to cover, suffice to say that according to experts: “the prevention of loss in the first instance constitutes the greatest insurance of all.” When losses occur, minimizing their effects within the insurance function is related to risk and how high you need your safety net to be! It is critical to work with a specialist broker who will review your business activities to ensure full coverage with no gaps.

Every small/ medium business owner should consider a range of options:

- The amount of insurance required: as a starting point, consider six to nine months of cash to carry on the business fixed costs plus additional cash requirements to cover a token staff to maintain continuity.
- The period of eligibility [some policies state 30 days, 60 days, 90 days or 120 days]. Here the owner should decide which eligibility period would be more suitable and affordable. Most LTD policies

The Business Advisory Group (BAG) is an incorporated, not-for-profit organization whose members volunteer their time and expertise to provide solid business advice based on a lifetime of experience.

We operate in Oakville, Burlington and Hamilton, offering meetings in a number of convenient locations.

One of our most popular service offerings is a half-day client meeting with typically three of our members who will develop an understanding of your situation, offer suggestions, and follow-up with a written summary of the major points. The fee for this is \$150, which provides funds to cover expenses such as liability insurance for our members, who provide their skills free of charge.

Call toll-free: 1-877-381-1990, or (905) 381-1999 which is local in the Burlington area. Leave a message (name, phone number and best times to call) and one of our volunteer coordinators will get back to you.

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premiums are considered a business expense, and thus the proceeds are tax-deductible but some policies have options for non-deductible premiums with non-taxable benefits.

- Comparison of the options, premiums and carrier reputation are highly recommended to consider in the analysis of options.

Note: cheaper premiums may be available through trade associations, boards of trade or professional groups.

To summarize: risk management is concerned with the conservation of the business assets, earning power and owner's absence against risks of unexpected loss.