

Running a Thin Line: Small-Business Owners Need Independent Agents

By: Steve Tombarelli

Most small-business owners know they need insurance. But with razor thin margins and limited knowledge of, and trust in, the insurance industry, many inadvertently put their businesses at risk. Independent insurance agents are key to better educating small-business owners on the role of insurance in their businesses and positioning it as a worthy investment.

Clients only understand the hard market through the lens of higher insurance costs. For small-business owners, a hard market means insurance is more expensive, impacting their bottom lines and overall livelihoods.

In larger organizations, insurance is simply a reality; one more line item on their expense sheet. These larger organizations typically have the resources to effectively budget for rising insurance costs and have a well-rounded understanding of their risks. By contrast, every expenditure impacts small-business owners, some of whom may only have a surface-level grasp of their risks and may lack an understanding of all the coverages they need. Absent informed guidance and counsel from an experienced insurance agent, small-busi-

ness owners with thin margins are more likely to be underinsured for the unique risks their businesses face.

The Small-Business Owner's Insurance Portfolio

Helping clients understand their portfolios allows them to have autonomy over their coverage and comprehend the value of the risk transfer insurance provides. Each small-businessowner's insurance portfolio will vary, but at a minimum, they should include a business owners policy (BOP) to cover property and liability, workers compensation coverage to cover employee injuries, commercial auto to cover any work vehicles and an umbrella to provide additional liability.

Independent agents should take the time to explain a small-business owner's insurance portfolio and provide them with opportunities to ask questions. When costs change or markets shift, clients who have a deeper understanding of how their portfolio functions will be able to make more informed decisions to protect their businesses.

Beyond the basic coverages a small-busi-

ness owner needs, independent agents should also be talking with them about ancillary coverages. Small-business owners who perform credit card transactions or store data should be aware of cyber coverage and how it can help them in the event of a data breach. Agents can uncover the types of ancillary coverages a small-business owner might need by discussing the business, its operations and customers, as well as visiting their physical facilities as appropriate. Sign coverage, for example, might be something to consider if the business has a big, beautiful sign hanging in front of their building. Agents who ask the right questions and take the time to gain a well-rounded view of their client's small business will be best equipped to recommend coverages that consider their financial concerns, reinforcing a trusting relationship.

Securing Adequate Coverage at Adequate Rates

A small-business owner who needs to cut costs may instinctually opt for the least expensive insurance option, not realizing such coverage might leave them exposed to costly risks. Unfortu-

nately, some business owners only learn (the hard way) that they are under- or uninsured when faced with a loss. An independent agent can make all the difference, leveraging their expertise to help small-business owners strike a balance between adequate coverage and reasonable cost.

For sure, there are challenges to be faced to finding such a balance. For example, an independent agent may find their small-business client has a significant loss history or a habit of switching carriers annually. Both scenarios can impact an insured's costs, in addition to external factors of the hard market, including but not limited to replacement and repair costs. If a client sees their insurance rates increasing, their immediate reaction may be to shop around. An agent can explain the factors causing increases, inform them that shopping around could result in an increase regardless and add to the insureds' inconsistent history with carriers. While the client may have to manage a premium increase in

the short term, doing so with the help and insight of a skilled agent might help them limit costs in the long run.

A larger business will likely re-shop their insurance policy every few years, but small-business owners should look to their independent agent for advice in this regard. A good independent agent will know the marketplace, understand what carriers are looking for and the strengths or advantages each offers. Those agents can work as an expert liaison, protecting their clients' interests and advising them when and if it might be best to make a change.

The solutions to the rising costs and concerns involving small-business owners' insurance may not be simple; however, these situations present opportunities for independent agents to help their clients navigate these circumstances, while differentiating themselves from agents who are not invested in their client relationships. When market conditions leave small-business

owners compromised, their insurance agent should be the one offering them marketplace know-how, options for mitigating risks and guiding them to develop an insurance portfolio that considers their entire business and its risks. Developing strong client relationships will not only get small-business owners through the impacts of a hard market, but the trust engendered from building these relationships will lay a foundation for a long-term, mutually beneficial partnership. ■



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