

TRANSCRIPT

On Your Terms



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Episode 215:

HOW MUCH SHOULD BUSINESS INSURANCE COST FOR COACHING BUSINESSES?

Sam Vander Wielen:

When you speak to a business insurance agent who works for a general, like an insurance agency, but not a specific insurer, they can shop around to different carriers and try to find you the best rate. So I highly recommend trying to work with a business insurance agent who can then go around and get you a couple of different quotes from a couple of different policies.

Hey, there. And welcome back to On Your Terms. I'm your host, Sam Vander Wielen. And today we're talking all about how much business insurance costs or how much is it supposed to cost? What can you expect? Really in this month in general, I'm trying to help you understand and get a better idea of what it's actually supposed to cost to start a business, run a business, eventually grow this business. But I want you to have a more realistic expectation around some of these startup costs.

So one of the things I think gets most confused is business insurance, because people never really know how much it's supposed to cost, right? Business insurance is kind of just like elusive thing. And I don't know if also sometimes people just don't shop around first, just like you would for maybe car insurance or homeowners' insurance. Like you can go and get a quote, right, shop around, do what you would do for any other kind of insurance. But people tend to think that it's going to be very, very expensive.

And so before we get into kind of what plays into how much business insurance is going to cost and what you can really expect, I wanted to give you, in case you're new here, a really brief reminder of what business insurance is, so that you can remember why it's so worth it, right, why it's worth it to pay for it. Or you can make the determination for yourself about whether or not it's worth it.

So in a nutshell, business insurance is what financially protects your online business because business insurance gives you coverage for liability. So there are many, many different kinds of business insurance, but one of the most common for online businesses is professional liability insurance. And professional liability insurance is what covers you in the event of like mistakes or you being accused of making a mistake or hurting somebody or like them having a bad experience, not you hurting them physically. That's a different kind of insurance.

But if somebody, let's say, experiences some sort of harm. So like you're a money coach and you give them some tips and they end up losing a lot of money or those tips like don't work for them, or you're a health coach and then they have an allergy attack. Like something goes wrong, right, I call it oopsies insurance, which is not obviously the official definition for it.

But essentially business insurance is what financially protects you from those kinds of things, because the way that it works is that when you have business insurance and you either get sued for something that's covered by the policy or you're threatened to be sued by somebody for something that's covered by the policy. Like they send you a nasty lawyer letter from their lawyer, business insurance steps in and provides you with your own attorney. So they provide you that attorney, they pay for the attorney's fees which are high and hourly.

And then if there's any sort of judgment or settlement found against your business, they pay for that too. Minus of course, whatever your deductible is. Whatever your deductible is, is always what you're going to owe, right? So it's really important you know what your deductible is if you already have business insurance.

And if you don't have it yet, then you have to find out as you shop around when you get a really good policy. And a lot of times when people tell me they found a really cheap policy or something like that, I'm like, okay, but what is the deductible? Because if the deductible is like \$10,000 or \$50,000, then that's a lot on you, right? So we want you to have business insurance in place because it's what's going to financially protect you and your business.

We talk here a lot on the show about how if you get an LLC, then you're personally protected. That's what's going to make only your business liable for whatever happens in your business, which is great. But on the other hand, we can't have your business be financially liable for these kinds of things because they're very, very expensive. So a normal lawsuit would completely shut down an online business, right? So that's why we get business insurance. We get business insurance to financially protect our businesses.

Okay. So how much does business insurance cost? How much can you expect it to run? Well, first of all, of course, it depends on where you shop, right? You have to shop this around. You have to -- it would be like asking how much groceries cost to somebody who only shops at Erewhon or Whole Foods, right? They're going to give you a much different price than other people. So there are lots of different companies, lots of different plans. There are lots of different things that then those plans cover, right? Like not all of these plans are created equal. And there are different companies too, that have come into play.

Like, for example, Alternative Balance is one of the companies that has reached out to me. I've met with them because I send them a lot of business actually at first accidentally because just a lot of my customers ended up purchasing Alternative Balance as a form of insurance because Alternative Balance is an insurance company that provides business insurance to people with online businesses in the health, wellness, fitness, beauty, self-care. Like a lot of the people that are in my Ultimate Bundle®, not all of them, but a lot of them are in those fields and they had difficulty finding insurance.

So you can find these kinds of like specialty companies too, who have like started them, this insurance, as a way of covering exactly what you do. They might be a little bit more affordable than if you go to like your Geico or your Farmers or something like this, because they are offering bigger policies for all different kinds of businesses. So it really depends on where you shop. And I highly recommend that you shop around, you get a lot of different quotes.

Now, if you're in my Ultimate Bundle® program, or you're thinking about joining it, I have recommendations in there for not only for Alternative Balance is one option, if that's in your wheelhouse in terms of what kind of work you do. But I also have recommendations for business insurance agents, because when you speak to a business insurance agent who works for a general, like an insurance agency, but not a specific insurer, like they don't work for Geico or they don't work for Farmers or Progressive, they can shop around to different carriers and try to find you the best rate.

So I highly recommend trying to work with a business insurance agent who can then go around and get you a couple of different quotes from a couple of different policies. And really it's their job and their incentive to try to find you the best thing because they want you to remain their customer and continue to come back to them for insurance. So I always liked that as a little inside tip.

The next thing that really influences how much your business insurance costs is how much liability or exposure you have as a business, as a person, all kinds of things. So the more exposure you have, the higher the liability that an insurance company sees your work as having, the higher your premiums are going to be.

Now, just for a little like vocab check if we could like do a little sidebar situation for a second. When I say premiums, premiums are the amount that you pay either per month or for the entire year. Every insurance company breaks them down differently. Some have like an annual premium. Some let you break down that annual premium into like four payments for the year, two payments for the year, monthly payment. But the premium is the amount you pay for the insurance at whatever interval.

The deductible is the amount that you pay in the event that something happens. So just like a car accident. You get into a car accident, you want them to pay to fix your car. You have to pay your \$500 or \$1000 or \$1500 deductible first. That's so the deductible is the amount that you're responsible for.

You also hear me use the term liability limits because that's the amount that your insurance company will pay up to. So if you have a million dollar

liability limit on your insurance policy, they will pay up to a million dollars in damages for that incident. So those are just a couple of the terms that I might be using throughout this episode. So I wanted to share that real quick.

Okay. So back to talking about liability and exposure. So based on your liability and exposure, that's what's really going to dictate a lot of the price. And a lot of that is set outside of your control. Like if a insurance company thinks that what you're doing is "risky", meaning that they're exposing themselves more to having to pay out, your prices are going to be higher, right?

My mom was a doctor. My mom's medical malpractice insurance was so high because doctors obviously get sued all the time and she owned her own practice. So it was very, very expensive, right? Our rates are not like that, right? Our rates are not that high. Our rates are not as high as like if we owned a contractor business like for construction or a restaurant or something like this. They're not that high. So that's why another reason why I think it's nice to find a company who is used to working with our kinds of businesses.

So some of the things that play into what they consider for your liability or exposure are how much revenue you make, right? Because that's another thing is like, if you make a lot in revenue, then you are technically taking on more risk because there are more transactions. You're working with more people who then might expose you to liability. It also depends on the type of work you do of course, as I imagine. Like if you're a surgeon and you're removing things from people's body, that's going to be more expensive than if you're a gardening coach, right? So it really depends on what you do.

It also depends on how you work with people, because if you work with people, again, you're touching them or you're in their house or you're doing like exercises, versus like meeting people virtually, and you're talking about something kind of innocuous, that's going to be cheaper. So all of those things are things that play into how much the insurance company thinks that you have liability and exposure, which in terms means

that they have liability and exposure in the sense that they would have to pay out more, which makes your rates, your premiums go up.

Now, another thing that impacts the price of your business insurance is liability limits. Like I mentioned, that's how much they'll pay. The higher the limits, the higher the price it's going to be for you, right, because they're going to be on the hook for more money. The deductible works kind of the other way. So with your deductible, which is again, the amount that you owe in the event something happens, in the event that the insurance company has to pay somebody out. The higher the deductible is, the lower your premiums will be. Right. So they will give you in exchange for you having a high deductible, you can pay lower premiums.

This is really just like a risk analysis that you have to do. I can't tell you what's the best there. There is no best or right or wrong answer here, because if something happens, you just have to know how much your deductible is so that you know how much you have to pay. If you're willing to take on that risk of having it be higher, then you'll be able to pay lower premiums in the meantime. It's kind of like car insurance where you can get a really high deductible car insurance plan, but then if something happens, you get stuck in that thing where you're like, well, do I pay it or like, just pay for the damage myself because I don't want to put it on my insurance.

In business, though, these cases tend to be more expensive. We're not just talking about repairing a car. We're talking about having to hire an attorney, having to maybe pay out some sort of settlement, or if they actually sue you, that's going to be a lot of money. So it's just what you're comfortable with. And it's really just something you have to take into consideration. This though, the deductible is probably that and the liability exposure are probably the greatest factors that are going to impact the cost of your business insurance. So just keep that in mind.

Now, if you're asking me to give a range. Every day in our Facebook community for the Ultimate Bundle®, my signature program that gives people 13 DIY legal templates, trainings, access to community support, lifetime updates and all that, lifetime of the program updates, I always get asked, how much can I expect? Like, can you just tell me a price, right? We have

people in the bundle who pay anywhere from a few hundred dollars to a couple of thousands of dollars per year. And again, you can pay those in installments. It really really depends so like you can expect anything from a couple of hundred dollars for the year to a couple thousand dollars.

I think as you go along, I think the thousands thing is probably not off the bat. I think we're probably talking \$400, \$600, \$800 maybe for the year, maybe a thousand dollars for the year. That would probably be the upper limit that I can think of, but it really depends because first of all, the insurance industry is changing, right? It's catching up to what we're doing. As there are more and more incidents in our industry, they're going to obviously increase the price because if the risk is going higher, they're going to increase the prices. There are all kinds of things.

And it always depends. When people ask me this question, I'm like, well, what did you make the deductible or what are their policy limits? Another thing we haven't talked about is really what's covered, right? So sometimes people will post and be like, "What? You're paying \$600. I got one for \$200 a year".

My alarm bells always go off because I'm like, what does that policy cover? What is the deductible? What does it cover? It's not just about the liability limit. If something's not covered by your policy or better yet, if something's excluded by your policy, a lot of people don't look at the exclusions and the endorsement section, look at what is excluded in your policy. Are they excluding things outright that you do that are probably the things that are the most likely that you would get sued for, right? Well, then you're like \$200, \$300 insurance policy is like worthless, right?

So I'd rather pay a little bit more to make sure that what I'm actually doing, the way I'm actually working with people, is worth it. So those are, I think the best things that you can have in mind going into any sort of price research looking into which insurance policy is best for you, or shopping around. If you're listening to this and you already have business insurance, and now you're like, wait, I didn't know that I have a \$5,000 deductible. That's not really that helpful to me. Now, you hopefully are

armed with the information you need to go around and find the best policy for you.

If you're in the health, wellness, beauty, self-care, anything like that space, I'll drop my affiliate link down below for Alternative Balance. They're one of the companies I recommend checking out. Specifically, because they are so targeted to the online business industry and in those fields. But of course, I encourage you to shop around, get a couple of quotes, find something that you're comfortable with. And of course, something that works for your budget.

So if this was helpful to you, let me know. Send me a reply to my email, if you get my weekly emails. If you don't get Sam' Sidebar, by the way, you want to go down in the show notes and click on the Sidebar link to sign up for my free weekly newsletter, get my legal Q&A, my links that I love that are helpful about what's going on in the online business industry. And I teach you any online business breaking news that you need to know. Like recently there was an update as to the contractor employee status that you need to know. So you can sign up down below for Sidebar, but you want to make sure that you're getting those weekly emails.

So once you get those emails, or if you already do, make sure you hit reply, let me know if this episode was helpful. Of course, if it was helpful to you, it's always helpful for me and for the team for you to forward this to a friend, post it somewhere where people would find it helpful. And of course, you can reach out on Instagram and send me a DM at @SamVanderWielen and let me know what you thought of this episode. With that, I'll see you next week. Thanks so much for listening.

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