

# The TaxLetter®

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Your Guide to Tax-Saving Strategies

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## FINANCIAL PLANNING

*Not just cars and houses.  
P&C insurance needs attention.*

# Beyond basics

**Mark Halpern, CFP, TEP**

From Ashley Madison to Target, Sony, and many others, website hacking is big news, reminding us that disruptive online incidents are serious and costly risks to business owners. Many now buy cyber insurance.

My professional focus is helping clients achieve financial security through customized life insurance and estate planning programs. Obtaining cyber insurance requires help from a property and casualty (or “P&C”) insurance specialist—to protect the financial security of your business and property.

Danny Sgro, my trusted colleague in P&C insurance,

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recently told me cyber insurance has come to market because of the growing technology threats that businesses face these days. He is a trained professional engineer who rose through the ranks of the P&C industry to become managing partner at Jones / DesLauriers Insurance Management Inc., one of Canada’s largest independent brokers. For the past few years, insurance industry peers have recognized Danny as Canada’s number one P&C broker.

### **Protection against cyber attacks becoming more affordable**

Until recently, there was no coverage available against cyber threats. But with hackers becoming more adept at breaching expensive, “bullet-proof” firewalls and companies increasingly concerned about client privacy and the potential of major lawsuits, interest grew

rapidly and the industry responded. “Cyber coverage is becoming more popular and more affordable,” says Danny, “and can be purchased for as little as \$1,000 a year.”

What kind of coverage do you need for either cyber insurance or any other general insurance? This can only be determined by having a professional risk assessment of your business and other assets. An experienced professional will examine everything from your premises to your industry and the kinds of equipment, products and services you provide to your clients or customers. The specialist will then structure a customized insurance solution that fits your needs.

### **Protection against the impact of extreme weather**

While property insurance may seem like a given if you are a homeowner or a business owner, weather calamities in recent years have amplified the need for increased or different insurance in this area too.

Remember all that flooding in Toronto just over two years ago? It cost a record-breaking \$850 million in insured losses. The total in insured losses in Alberta that year were double that amount. Another \$90 million in insured damages resulted from a downpour in Burlington, Ont., last year.

### **Water is the new fire**

“Water is the new fire” is the theme of the general insurance industry these days, especially when damage caused by storms knocks out power lines and downs trees, causing damage to property.

Many other kinds of general insurance should be considered if you don't have them already. These may include the following.

### **Business interruption insurance**

Business interruption insurance covers catastrophes. In the ice storm of December 2013, many power lines were knocked down and the streets were clogged with downed trees, which meant staff couldn't come to work. For a business that requires a physical location, such as a retail outlet, having business interruption insurance would compensate the owner for lost income.

### **Directors and officers insurance**

Directors and officers have a duty to exercise due diligence in managing the company where they work and are required to act in good faith and in the best interests of the corporation. Insurance will protect directors and officers if they are personally sued (often in addition to the company) by investors, employees, competitors and customers by covering legal fees, settlements and other costs. The lawsuits may allege a variety of reasons, including misuse of company funds, misrepresentation of company assets and fraud.

Most general insurance experts agree that directors and

officers insurance is essential. You may not have to buy it at first when the firm is just starting, but as it gets larger, the company understands the importance of directors and officers insurance.

### **Professional liability insurance**

Professional liability insurance, also known as Errors and Omissions or “E&O” insurance, is a solution for people such as doctors, engineers and architects to help defray the cost of a lawsuit in case there is a claim for an error or negligence when the professional service was performed. It can also involve those in the high-tech field or professional liability risks that can take place through outsourcing, online commerce and intellectual property issues.

### **P&C requires specialized professional advice**

Most people think that general P&C insurance, like auto and home insurance, is quick-fix, “anybody can do this” insurance. Wrong! When it comes to most kinds of general insurance, proceed with caution and get professional help.

In all lines of business the actual product varies among insurance companies and the expertise of brokers is often required to negotiate certain coverages. Unless you have the knowledge, that's next to impossible to do yourself.

### **You get what you pay for**

“Clients often come to us after a loss, having recognized their insurance broker lacks the background and abilities required to provide the correct assessment,

risk analysis and recommendation for proper coverage,” says leading P&C broker Danny Sgro. “Insurance is a promise to pay and that's only as good as the evaluation that's been made. A broker really needs to have deep knowledge in the sector they are covering to make the proper assessments.”

### **We recommend**

From life insurance to property insurance, proper planning requires a holistic approach—*not* just selling a product. When you need help buying a piece of property for your business, you should work with experienced professionals, like an appraiser, an accountant and a lawyer. When you need personal and property coverage for yourself and the business you have built up over the years, you should look for two other types of professionals: an accredited and experienced life insurance practitioner who can help you assess your insurance needs for life, disability, critical illness, partnership or buy-sell insurance, executive compensation and group benefits—and a second expert for the complex planning area of general insurance. □

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