WEEK 3 Saturday April 9, 2022 9:00AM-1:00 PM

7TH CREATING SUSTAINABLE NEIGHBORHOOD DEVELOPERS' PROGRAM: Virtual

9:00 am *Welcome*

Dr. Donald Andrews

Dean, College of Business

Southern University and A&M College

9:05 am Course Objectives

Eric L. Porter

President, *ComNet LLC*, Co-Creator of CSND program

9:10 am *Curriculum Direction*

Dr. Sung No

Co-Director, SU EDA University Center

9:15 am "Banking: Lending Criteria"

Matthew Sims

Sr. VP of Commercial Lending, Liberty Bank

10:10 am "Organizational Management"

Mel Robertson, BAEC, mM, CPSF

Founder, 3M Global LLC Consulting & Management Co.

10:55 am: **Break**

11:00 am: "Insurance: What Developers should Know"

Agnes Andrews,

Owner, Agnes Andrews All State Insurance

11:55 am: "Breaking The Lending Code"

Will Campbell

Director, b1 Foundation

12:55 pm: "Closing"

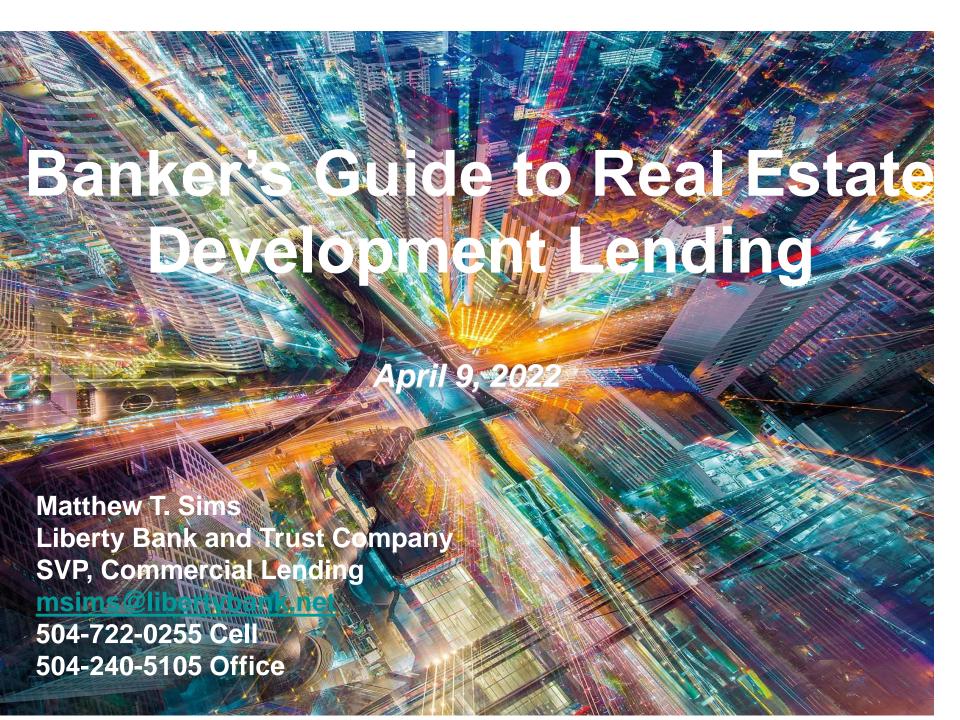
Dr. Sung No, Dr. Andrews and Eric Porter











Banker's Guide to Real Estate Development Lending

Purpose:

Provide course participants with a banker's overview of Real Estate Development Lending

Agenda:

- Selecting your property
- Determine your borrowing need
- Know the language
- Loan Types
- Prepare your loan application package
- Loan approval and commitment letter
- Construction monitoring/funding
- Questions/Comments

Selecting your property

Choose your property

- Find your sweet spot (location, location, location)
- Determine what type of property (Single Family or multifamily)
- Decided on buying and holding or flipping

Determine your borrowing need

Determine your borrowing need

- Complete a detail estimate of the total cost of your project (The bank will want you to inject 20 to 30% of the project hard cost)
- If planning on holding the property, perform a cash flow analysis to forecast cash available for debt service
- If planning on flipping the property, perform market analysis (my rule of thumb is to clear \$50K or more)
- Perform personal debt to income analysis

Prepare Your Loan Package

Prepare your loan package

- Complete a full disclosure personal financial statement
- Gather 3 years of personal & business, if available, tax returns
- If you plan on holding the property, prepare a 5-year cash flow projection for property being acquired
- Provide the purchase contract along with a detailed description of property being acquired
- Provide construction contract or detailed construction/renovation budget and drawings (simultaneously, submit required documentation to city/parish for permit)

12

Loan Approval and Commitment Letter

Loan Approval and Commitment Letter

- Complete package will result in a quicker decision
- Even with a well-prepared package, the lender will likely have additional questions/requests for information
- Depending on size and complexity, approval should take
 3 to 4 weeks
- After approval, the lender will issue a commitment letter
- After the deal is consummated, the appraisal will be ordered and closing attorney engaged

Construction monitoring/funding

Construction monitoring/funding

- A construction inspector will be engaged to perform progress inspection with each draw request
- Draws are recommended monthly (bi-weekly at most) to limit cost (inspection will cost \$100 to \$500/visit)
- Owners often inject own cash then reimburse themselves from draw proceeds
- After completion and receipt of occupancy certificate, the permanent loan, if applicable, is closed

Questions/Comment

Matthew T. Sims
Liberty Bank and Trust Company
SVP, Commercial Lending
msims@libertybank.net
504-722-0255 Cell

Cash Flow Projection

Prepared by Analyst:					Date: 2/21/2020		
Sims Investments, LLC Business Cash Flow	1601-03 S. Saratoga	CF Year1	CF Year2	CF Year3	CF Year4	CF Year5	
	a Revenue	4 = 000			0 44400	*	
	b Rental Unit 1601	\$7,200	\$14,400	\$14,400	\$14,400	\$14,400	
	Rental Unit 1601A	\$5,250	\$10,500	\$10,500	\$10,500	\$10,500	
	Rental Unit 1603	<u>\$10,500</u>	<u>\$21,000</u>	<u>\$21,000</u>		<u>\$21,000</u>	
	Potential Income	\$22,950	\$45,900	\$45,900		\$45,900	
	Vacancy at 5%	\$1,148	\$2,295	\$2,295		\$2,295	
	Effective Gross Income	\$21,803	\$43,605	\$43,605	\$43,605	\$43,605	
	Expenses						
	c Insurance Expense	\$2,560	\$2,688	\$2,822	\$2,964	\$3,112	
	Real Estate Taxes	\$1,100	\$1,100	\$1,155	\$1,213	\$1,273	
	Water & Sewer	\$350 \$350	\$350 \$400	\$350	\$350 \$440	\$350 \$440	
	Entergy Repairs & Maintenance	\$250 \$1,550	\$100 \$1,705	\$105 \$1,876	\$110 \$2,063	\$116 \$2,269	
	Lawncare	\$480	\$480	\$480	\$480	\$480	
	Replacement Reserve	\$436	\$872	\$872		\$872	
	Total Operating Expenses	\$6,726	\$7,295	\$7,660	\$8,052	\$8,472	
	Net Income	\$15,076	\$36,310	\$35,945	\$35,553	\$35,133	
	Debt Service						
	Liberty Loan	\$0	\$0	\$0		\$0	
	d -Proposed Term Loan	\$16,800	\$16,800	\$16,800	. ,	\$16,800	
	-Proposed LOC Total Debt Service	\$0 \$16,800	\$0 \$16,800	\$0 \$16,800	T -	\$0 \$16,800	
	DSC	0.90	2.16	2.14		2.09	
	Net Cash Flows	(\$1,724)	\$19,510	\$19,145	\$18,753	\$18,333	
		(+1,121)	• • • • • • • • • • • • • • • • • • •	4.0,	1	¥10,000	
1	Property is anticipated being placed in service in July. Projected annual rent is based on \$1.25/s.f. monthly for 1601 and 1603 and \$875/month for unit 1601A. Revenue and expenses are recorded on a cash basis.						
	Debt service is based on \$\$205,000 at 5.75% for 20 years.						



Commitment Letter

November 29, 2019

Robert Warner 1155 Valley Street Jackson, MS 39203

Dear Mr. Warner,

On behalf of Liberty Bank and Trust Company, I am pleased to extend the following loan commitment to you subject to the basic terms and conditions set forth below:

BORROWERS

Warner Investments, LLC

GUARANTOR

Robert Warner

TYPE

Interim acquisition and renovation Line of Credit/Permanent take-out

PURPOSE

Residential investment real estate acquisition and renovation

REQUEST

\$401,250

RATE

5.75% fixed for initial 9 months; thereafter, 5.25% fixed for 5 years

REPAYMENT

Interest monthly during initial 9 months; thereafter, principal and interest monthly based on 20-year amortization

AMORTIZATION

See above

MATURITY DATE

5.75 years from closing

COLLATERAL

1st Multiple Indebtedness Mortgage on residential real estate located at 1916-18 Amelia Street, New Orleans, LA 70115

TERMS & CONDITIONS

All loan documents and the transaction shall be prepared, reviewed and approved by Lender's counsel and by Lender and Borrower prior to closing. In addition to the following covenants and requirements, the loan documents will contain all the customary representations, warranties, and covenants and default provisions for this type of transaction.

CLOSING

Lender shall not be required to close the Loan or make any advances on the Loan until all of the conditions and requirements of this commitment Letter have been fulfilled or completed to the satisfaction of Lender, and upon receipt of satisfactory credit and public reports. Unless extended in writing by Lender, closing of the loan shall occur no later than the following date:

December 15, 2019

NO MATERIAL ADVERSE CHANGE

It is a condition to closing the Loan that there shall not have occurred in the opinion of Lender any material adverse change in Borrower's financial condition, or any facts, circumstances or conditions upon which Lender has relied or utilized in making its decision to make the Loan. Furthermore, as of the date of closing there shall exist no event of default (or event with which notice or lapse of time or both could constitute an event of default) under the Loan Documents.

FEES & EXPENSES

A non-refundable commitment fee will be charged in connection with signing the commitment. The commitment fee will be considered earned and non-refundable upon acceptance of this commitment.

The Borrower shall pay all fees of Lender's Counsel and all other fees and expenses incurred by Lender or Borrower in connection with this commitment or the Loan, whether or not the Loan closes, including without limitation, legal fees, construction inspection fees and appraisal fees

REQUIREMENTS & CONDITIONS

ш	account maintained by Borrower.
	Borrower to maintain a \$20,000 interest reserve account with Liberty Bank for automatic debit of month interest payments during construction.

A title insurance policy on the subject property by a title insurance company acceptable to Lender must be provided. The title policy must be issued for the full amount of the loan and indicate that the Lender's mortgage is a valid first lien with no exceptions other than those that Lender approves.
Receipt of signed IRS tax form 4506-T
Borrower to provide annual evidence of paid property taxes and insurance prior to closing.
Borrower to maintain sufficient builder's risk insurance during life of loan to cover potential loss due to insurable hazard. Bank to be listed as loss payee.
Borrower to maintain sufficient flood insurance, if required, during life of loan. Bank to be listed as loss payee.
Borrower to escrow property taxes and insurance as part of monthly payment when the loan is converted to a permanent term loan.
The borrower must provide to lender an updated financial statements and tax returns, if available, within 120 days of each fiscal year end.
An acceptable survey of the property to be mortgaged must be provided to Liberty Bank and Trust Company prior to closing evidencing that there are no encroachments on the property to be mortgaged and the mortgaged property improvements do not encroach upon other property. Such survey must be certified to Lender.
Loan to Value Not to exceed 80% of the appraised value.
Appraisal to be conducted by bank-approved appraiser prior to funding.
Bank to hire construction inspector at borrower's expense to determine percentage of completion prior to releases construction draws.

CONFIDENTIALITY

All correspondence from Lender to Borrower, Lender's written communication and comments, and this Commitment Letter are to be held in strict confidence. Violation of this provision by borrower will cause this commitment to be cancelled.

REPRESENTATIONS AND WARRANTIES

Lender shall not be required to close the Loan or make any advance until all of the conditions and requirements of this Commitment Letter have been fulfilled. This includes receipt by Lender of all necessary documents in satisfactory form to Lender and Lender's attorney.

Borrower represents and warrants that all of the documents borrower provides in connection with borrower's loan request constitute a complete and accurate presentation of all facts material to Lender's issuance of this Commitment Letter.

TIME

Time is of the essence with respect to the Commitment Letter, Termination Date, and all other terms and conditions set forth, and in the event that any respective term or condition is not fully complied with by the designated date, Lender may declare this commitment null and void.

ASSIGNMENT

This Commitment Letter is not assignable.

UNENFORCEABILITY:

If any part of this Commitment Letter is held to be unenforceable or invalid then the remaining terms and conditions remain in full force and effect.

MODIFICATION:

The modification or waiver of any provision of this Commitment Letter shall not be effective unless set forth in writing and signed by the parities hereto.

SCOPE:

The foregoing is intended to provide a substantive outline of terms and conditions rather than a complete statement of all term's, conditions, and documents which would be required in connection with the Loan described above.

It is possible that substantive terms or conditions may be changed in order to account for or reflect, among other things, changes in statutory or regulatory authorities governing the subject matter of the transaction or subsequent negotiations.

GOVERNING LAW:

Louisiana Law will govern all matters relating to this Commitment Letter and the loan transaction.

We hope this commitment meets with your approval. This Commitment will be deemed null and void if not accepted by the following date:

December 4, 2019

Thank you for giving Liberty Bank and Trust Company this opportunity to assist you with your financial needs.

To indicate acceptance, please sign below in acceptance of the terms and conditions of this Commitment Letter and acknowledgment of the commitment fee in the amount of:

\$4,102

Sincerely,	Sincerely,				
	Matthew Johns				
Rhonda McMillan	Matthew T. Sims				
Senior Vice President	Senior Vice President				
Acceptan	ce of Terms of Commitment				
	То				
War	Warner Investments, LLC				
Accepted this	day of 2019				
	Robert Warner				
Rober	rt Warner, Guarantor Date				



Organizational Management and Leadership In a Post Pandemic World or Environment

Presentation

LEARNING OBJECTIVES

Understand the functions of management.

What is Organizational Leadership.

Explain the three basic leadership styles.

Explain the three basic levels of management.

Understand the management skills that are important for a successful small business.

Understand the steps in ethical decision making.

All small businesses need to be concerned about management principles. Management decisions will impact the success of a business, the health of its work environment, its growth if growth is an objective, and customer value and satisfaction. Seat-of-the-pants management may work temporarily, but its folly will inevitably take a toll on a business. This section discusses management principles, levels, and skills—all areas that small business owners should understand so that they can make informed and effective choices for their businesses.

What Is Management?

There is no universally accepted definition for management. The definitions run the gamut from very simple to very complex. For our purposes, we define management as "the application of planning, organizing, staffing, directing, and controlling functions in the most efficient manner possible to accomplish meaningful organizational objectives." John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 172. Put more simply, management is all about achieving organizational objectives through people and other resources. David L. Kurtz, *Contemporary Business* (Hoboken, NJ: John Wiley & Sons, 2011), 254.

Management principles apply to all organizations—large or small, for-profit or not-for-profit. Even one-person small businesses need to be concerned about management principles because without a fundamental understanding of how businesses are managed, there can be no realistic expectation of success. Remember that the most common reason attributed to small business failure is failure on the part of management.

Management Functions





Planning

Planning "is the process of anticipating future events and conditions and determining courses of action for achieving organizational objectives." David L.

Kurtz, Contemporary Business (Hoboken, NJ: John Wiley & Sons, 2011), 257. It is the one step in running a small business that is most commonly skipped, but it is the one thing that can keep a business on track and keep it there. "Management Principles," Small Business Notes, accessed February 2, 2012, www.smallbusinessnotes.com/managing-your-business/management-principles. Planning helps a business realize its vision, get things done, show when things cannot get done and why they may not have been done right, avoid costly mistakes, and determine the resources that will be needed to get things done. John M. Ivancevich and Thomas N. Duening, Business: Principles, Guidelines, and Practices (Mason, OH: Atomic Dog Publishing, 2007), 176; David L. Kurtz, Contemporary Business (Hoboken, NJ: John Wiley & Sons, 2011), 257. Business planning for the small business is discussed in Chapter 5 "The Business Plan", and marketing planning is discussed in Chapter 5 "The Business Plan", and



Organization









"If your goal is to influence people and impact the organization at the highest level possible, then you want to learn about organizational leadership," said **Deborah Gogliettino**, faculty lead for human resources at SNHU.

It's one thing to learn about a subject. But can the essential skills and mindsets of organizational leadership be learned? According to Ellington, these include:

Problem-solving and decision-making

Communicating (especially listening) effectively

Relationship- and teambuilding (including developing leadership potential in others)

Identifying future innovations and opportunities

Understanding your business environment and operations

Using integrity and ethics

Thinking strategically, systemwide, and holistically

Spreading the organization's vision and inspiring others to share in that vision

Staffing







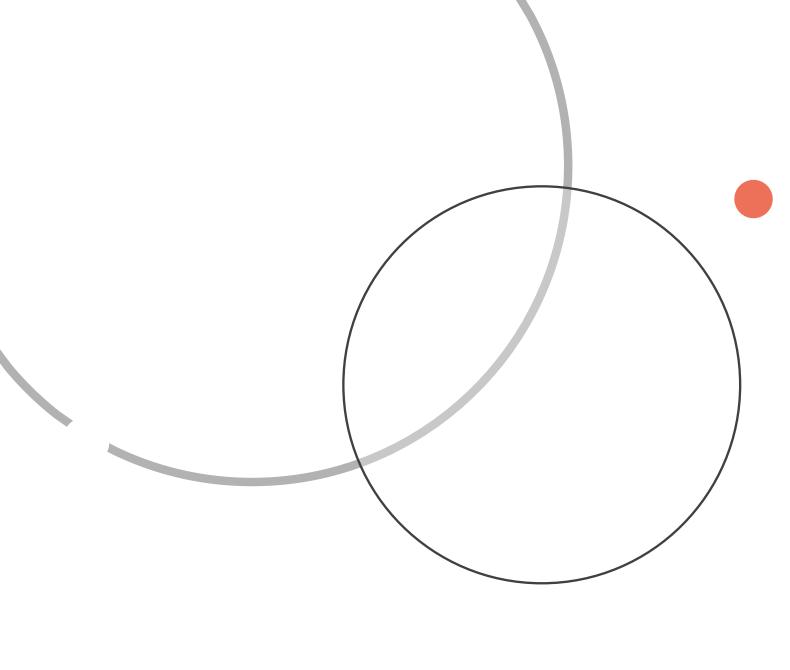
The **staffing** function involves selecting, placing, training, developing, compensating, and evaluating (the performance appraisal) employees. John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 176. Small businesses need to be staffed with competent people who can do the work that is necessary to make the business a success. It would also be extremely helpful if these people could be retained. Many of the issues associated with staffing in a small business are discussed in Section 12.4 "People".

Weighing the Opportunities and Challenges in a pandemic environment.

- Many U.S. workers now consider work/life balance and flexibility to be the most important factors in considering job offers. In fact, 81 percent of employees said they would be more loyal to their employers if they had flexible work options, according to a 2020 survey by FlexJobs.
- However, offering flexible work arrangements can involve a paradigm shift for organizations, especially smaller ones that may not have the critical mass of technology, budget, management and competitive flexibility necessary to make extensive use of flexible work arrangements.

Leadership identified the following benefits when making the business case for the policy:

- •Travel. Conferencing technology like Skype would reduce travel expenses.
- •**Technology.** Upgrading technology would help the company stay competitive and build Unilever's brand as a best place to work. Costs would be offset by other savings.
- •Real estate. Cubicles and offices would be converted to communal facilities, thereby reducing space requirements by 30 percent. Sites would be converted gradually as leases expired.
- •**Health.** Onsite fitness facilities would increase employee satisfaction, help reduce illness and cut insurance costs.
- •Work/life balance. Empowering workers would enhance work/life balance. Satisfaction ratings would rise, and recruitment would become easier.
- •Sustainability. Reducing travel, office energy costs and paperwork would decrease the environmental footprint.
- •Retention and engagement. Flexibility would enhance the employer value proposition, improving retention and supporting diversity



OPPORTUNITIES

- Flexible work arrangements offer numerous benefits to both employers and employees. Such benefits include:
- Assisting in recruiting efforts.
- Enhancing worker morale.
- Managing employee attendance and reducing absenteeism.
- Improving retention of good workers.
- Boosting productivity.
- Creating a better work/life balance for workers.
- Minimizing harmful impact on global ecology. Certain flexible work arrangements can contribute to sustainability efforts by reducing carbon emissions and workplace "footprints" in terms of creation of new office buildings.
- Allowing for business continuity during emergency circumstances such as a weather disaster or pandemic.

CHALLENGES

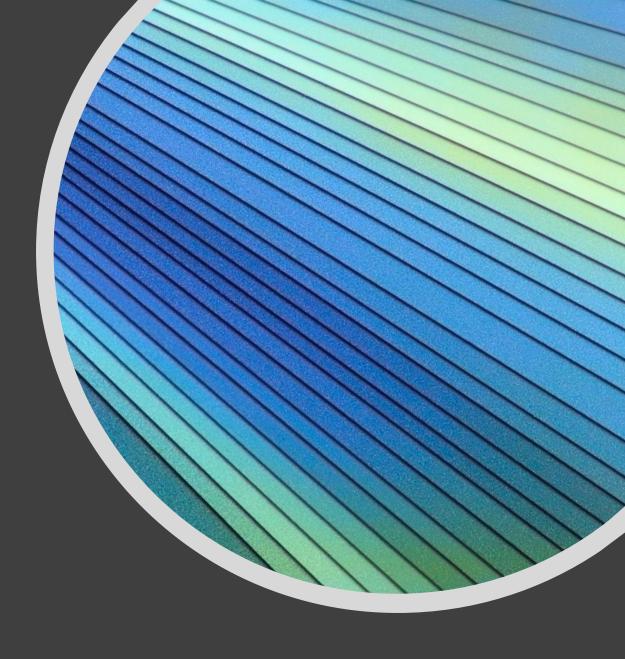
Managers tasked with implementing strategic goals related to flexible work arrangements need to keep many things in mind:

Keeping programs relevant to workers' real needs/wants.

Focusing on the unique needs of specific groups of workers without creating a second class of workers and without engaging in unlawful disparate treatment or disparate impact discrimination.

Communicating broadly to achieve the benefits of flexible work arrangements

Exercising caution when eliminating a program that is not working or is no longer relevant to enough workers. Any loss of a benefit can impair morale, even if only a few workers had used it. Employers should consider phasing out unproductive programs over time.





- directing is the managerial function that initiates action: issuing directives, assignments, and instructions; building an effective group of subordinates who are motivated to do what must be done; explaining procedures; issuing orders; and making sure that mistakes are corrected. John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 177; David L. Kurtz, *Contemporary Business* (Hoboken, NJ: John Wiley & Sons, 2011), 257. Directing is part of the job for every small business owner or manager. **Leading** and **motivating** work together in the directing function. Leading "is the process of influencing people to work toward a common goal [and] motivating is the process of providing reasons for people to work in the best interests of an organization. "William M. Pride, Robert J. Hughes, and Jack R. Kapoor, *Business* (Boston: Houghton Mifflin, 2008), 224.
- Different situations call for different leadership styles. In a very influential research study, Kurt Lewin established three major leadership styles: autocratic, democratic, and laissez-faire.Kurt Lewin, Ronald Lippitt, and Ralph K. White, "Patterns of Aggressive Behavior in Experimentally Created 'Social Climates," *Journal of Social Psychology* 10, no. 2 (1939): 269–99. Although good leaders will use all three styles depending on the situation, with one style normally dominant, bad leaders tend to stick with only one style.Don Clark, "Leadership Styles," *Big Dog and Little Dog's Performance Juxtaposition*, June 13, 2010, accessed February 2, 2012, www.nwlink.com/~donclark/leader/leadstl.html.

Directing- continued

Leadership styles within an organization Autocratic leadership

Democratic leadership

Laissez-faire leadership (or delegative or freereign leadership) Autocratic leadership occurs when a leader makes decisions without involving others; the leader tells the employees what is to be done and how it should be accomplished. However, this style works when all the information needed for a decision is present, there is little time to make a decision, the decision would not change as a result of the participation of others, the employees are well motivated, and the motivation of the people who will carry out subsequent actions would not be affected by whether they are involved in the decision or not.

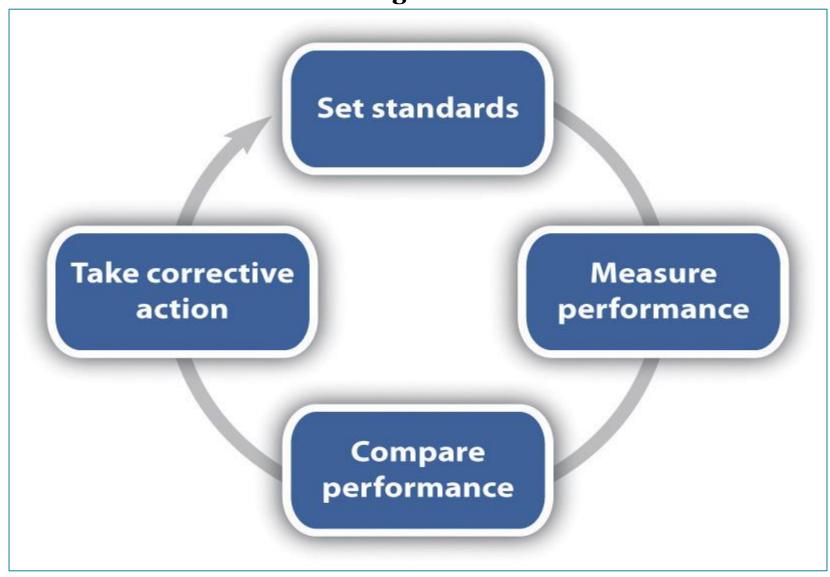
Democratic leadership involves other people in the decision making—for example, subordinates, peers, superiors, and other stakeholders—but the leader makes the final decision. Rather than being a sign of weakness, this participative form of leadership is a sign of strength because it demonstrates respect for the opinions of others. The extent of participation will vary depending on the leader's strengths, preferences, beliefs, and the decision to be made, but it can be as extreme as fully delegating a decision to the team.

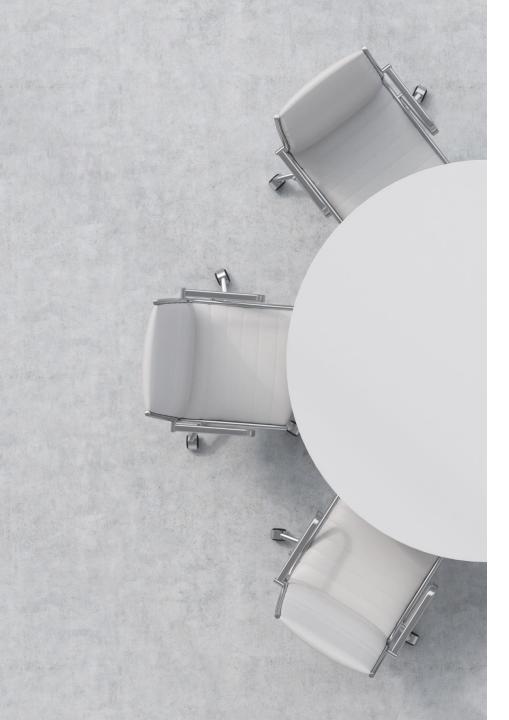
Laissez-faire leadership (or delegative or free-reign leadership) minimizes the leader's involvement in decision making. Employees are allowed to make decisions, but the leader still has responsibility for the decisions that are made. The leader's role is that of a contact person who provides helpful guidance to accomplish objectives. This style works best when employees are self-motivated and competent in making their own decisions, and there is no need for central coordination; it presumes full trust and confidence in the people below the leader in the hierarchy. However, this is not the style to use if the leader wants to blame others when things go wrong. This style can be problematic because people may tend not to be coherent in their work and not inclined to put in the energy they did when having more visible and active leadership.

Good leadership is necessary for all small businesses. Employees need someone to look up to, inspire and motivate them to do their best, and perhaps emulate. In the final analysis, leadership is necessary for success. Without leadership, "the ship that is your small business will aimlessly circle and eventually run out of power or run aground. "Susan Ward, "5 Keys to Leadership for Small Business,"

Controlling is about keeping an eye on things. It is "the process of evaluating and regulating ongoing activities to ensure that goals are achieved. "William M. Pride, Robert J. Hughes, and Jack R. Kapoor, Business (Boston: Houghton Mifflin, 2008), 224. Controlling provides feedback for future planning activities and aims to modify behavior and performance when deviations from plans are discovered. John M. Ivancevich and Thomas N. Duening, Business: Principles, Guidelines, and Practices (Mason, OH: Atomic Dog Publishing, 2007), 176. There are four commonly identified steps in the controlling process. John M. Ivancevich and Thomas N. Duening, Business: Principles, Guidelines, and Practices (Mason, OH: Atomic Dog Publishing, 2007), 176; William M. Pride, Robert J. Hughes, and Jack R. Kapoor, *Business* (Boston: Houghton Mifflin, 2008), 224.

Controlling Function

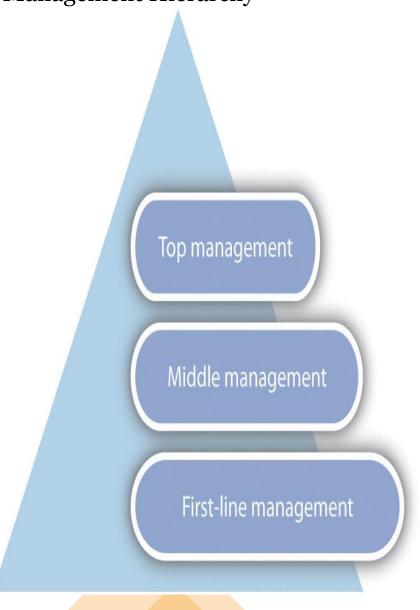




Levels of Management

• As a small business grows, it should be concerned about the levels or the layers of management. Also referred to as the management hierarchy (Figure 12.3 "The Management Hierarchy"), there are typically three levels of management: top or executive, middle, and first-line or supervisory. To meet a company's goals, there should be coordination of all three levels.

Management Hierarchy



Top management, also referred to as the executive level, guides and controls the overall fortunes of a business. This level includes such positions as the president or CEO, the chief financial officer, the chief marketing officer, and executive vice presidents. Top managers devote most of their time to developing the mission, long-range plans, and strategy of a business—thus setting its direction. They are often asked to represent the business in events at educational institutions, community activities, dealings with the government, and seminars and sometimes as a spokesperson for the business in advertisements. It has been estimated that top managers spend 55 percent of their time planning. John M. Ivancevich and Thomas N. Duening, Business: Principles, Guidelines, and Practices (Mason, OH: Atomic Dog Publishing, 2007), 183.

Management *Hierarchy continued*

Middle management is probably the largest group of managers. This level includes such positions as regional manager, plant manager, division head, branch manager, marketing manager, and project director. Middle managers, a conduit between top management and first-line management, focus on specific operations, products, or customer groups within a business. They have responsibility for developing detailed plans and procedures to implement a firm's strategic plans. David L. Kurtz, *Contemporary Business*, 13th Edition *Update* (Hoboken, NJ: John Wiley & Sons, 2011), 255.

First-line or supervisory management is the group that works directly with the people who produce and sell the goods and/or the services of a business; they implement the plans of middle management. They coordinate and supervise the activities of operating employees, spending most of their time working with and motivating their employees, answering questions, and solving day-to-day problems. Examples of first-line positions include supervisor, section chief, office manager, foreman, and team leader.



Resources/content used:

*Publisher: Saylor Academy, https://saylordotorg.github.io/text_small-business-management-in-the-21st-century/s00-license.html

https://www.snhu.edu/about-us/newsroom/business/what-is-organizational-

leadership#:~:text=Organizational%20leadership%20is%20a%20management,in%20service%20to%20those%20goals.



Facilitator/Speaker:
Mel Robertson, BAEC mM, CPSF, CKFTF
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Insurance Presentation Creating Sustainable Neighborhood Developers Program April 9, 2022

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History of Insurance: How Did We End Up Shipwrecked at Bottom of the Sea



History of Insurance

The main principle of insurance — trading the burden of risk for money — was slowly developing into a global phenomenon as commerce was expanding.

China, 3000 BC: that's the date on insurance's birth certificate. The proud parents were Chinese merchants who, tired of losing valuable goods in shipwrecks, proposed what is now recognized as the oldest predecessor to modern insurance. Merchants divided their goods evenly among the ships, meaning that each boat carried a mix of cargo, not just one merchant's.

Thus, a shipwreck meant a slight loss for all instead of a crippling loss for one — safety in numbers, a time-tested principle that your insurer practices to this day.

Source: esurance History of Insurance

Reasons for Insurance

Why is it important to have insurance? Risk Management Strategy for Loss Recovery

- Life and Health
- Property
- Liability Exposure
- Legal and regulatory requirements
- Business continuity recovery from disasters, systems continuations, maintains cash flow
- Protection from errors



Assuming Risk is Part of Doing Business

Going outside is a risk, but so is staying inside.

Going out may require boots, coat, or an umbrella for protection, but staying in can result in missed opportunities.

Business insurance eases the burden of risks, so owners can "go out" to...

focus on business development and growth.

Insurance for a Small Business

Review examples of work-specific insurance which are required by certain licenses.

- 1. Here are a few tobegin:
 - Construction company general contractor's liability
 - Auto repair shop business general liability
 - Restaurant foodbusiness insurance



Insurance Your Business MayRequire State and Local Requirements

- Always check with federal, state, county and local governments
- Workers
 Compensation with
 specific coverage may
 be required for employees
- Automotive insurance coverage for vehicles used in connection with the business



Worker's Compensation Insurance

Protects against illnesses, injuries atwork.

Pays for rehabilitation, retraining

 Addresses payments to beneficiaries and medical payout limits

- Required by most states, check state laws
- Private or state administered



Unemployment Insurance

Benefits those who are unemployed through no fault of their own.

- Willing and able towork and actively searching work to be consider unemployed
- Federally regulated, state administered
- Check with state and Federal Dept. of Labor
- Always make payments, avoid penalties and actions (lien, misdemeanor, felony)



- General liability covers common risks
- From <u>carpenters</u> to <u>general contractors</u>, construction and contracting professionals face high risks. General liability insurance helps pay expenses related to <u>third-party injuries and</u> <u>property damage</u>.
- Example If a visitor is injured at your jobsite or property damage occurs during a renovation, for instance, general liability insurance can cover medical bills or the cost of repairs.
- This policy provides liability coverage related to:
- Customer injury
- Customer property damage
- Libel and slander
- Source: https://www.insureon.com/construction-contracting-business-insurance/general-liability

- If you run a small construction or contracting business, you may be able to bundle general liability insurance with commercial property insurance in a <u>business owner's policy (BOP)</u>.
- A BOP offers more complete coverage at a lower cost than purchasing each policy separately. Businesses that are eligible for a BOP typically:
- Have fewer than 100 employees
- Have a small office or workplace
- Make less than \$1 million in annual revenue
- Operate in a low-risk industry
- Need less than 12 months of <u>business interruption insurance</u>
- ▶ <u>Talk to a licensed Insureon agent</u> to find out if your construction business is eligible.

- What coverage can general liability provide for construction companies?
- Customer injury
- ▶ If a customer trips over a toolbox or a ladder while you're doing <u>electrical</u> or <u>carpentry</u> work, you could be blamed for the injury. If the person sues, you could end up paying for medical and legal expenses. General liability insurance covers:
- Attorney fees
- Court-ordered judgments
- Settlements
- Medical bills
- Funeral expenses in fatal incidents
- This policy does not cover employee injuries. For that, you'll need to purchase workers' compensation insurance.

Customer property damage

Accidents can be costly for construction professionals and contractors. General liability insurance safeguards small businesses when client property is damaged. For example, if a client's furniture is damaged during remodeling, your general liability policy could help pay for the cost of repair or replacement. This policy can also cover the cost of a lawsuit if a client decides to take you to court over damaged property.

Libel and slander

- While advertising your company and its construction services, it's possible to inadvertently copy a competitor's slogan or mimic another advertising campaign. Accidental advertising injuries are covered by general liability insurance, including:
- Copyright infringement
- Defamation, both libel (written) and slander (spoken)
- Other policies for construction and contracting businesses to consider

Covers basic construction and contracting risks, it does not offer absolute protection. Other policies to consider include:

- Workers' compensation insurance: Required in almost every state for construction businesses with employees, workers' comp can cover medical fees for work-related injuries.
- Commercial auto insurance: This policy covers vehicles owned by your construction or contracting business. It typically pays for accidents and damages related to theft, weather, and vandalism.
- Contractor's tools and equipment insurance: This policy helps pay for repair or replacement of a contractor's tools and equipment if they are lost, stolen, or damaged.
- ▶ <u>Builder's risk insurance</u>: Builder's risk insurance can pay for damage done to a structure still under construction, such as fire or vandalism at a construction site.
- Professional liability insurance: This policy covers professional mistakes and oversights, such as a contractor missing a deadline for a project.

Other Liability Insurance

- Professional Liability Insurance
 - May be required for
 - Certain professional licenses
 - Certificates of business or professional business registrations
- Directors & officers

Liability laws change –



Stay Informed

Other Types of Insurance to Consider

- Loss of income
- Life
- Disability
- Medical
- Flood



Lender or Investor-Required Insurance When financing, a lender or investor may require you show insurance protecting:

- Business assets (building, property)
- Cash flow provision for interruption of business (e.g., reconstruction, repairs)
- In the event of owner's disability or death



"Key Person" Policy

Think about and respond to these discussion points.



- 1. Do you have a list the names who could run your business or that you would trust to do so, if you were ill for an extended period of time?
- 2. List who would take over yourbusiness in the event of yourdeath.
- 3. Do you have a plan for your business in the event of your death?
- 4. Is there a family member or trustee named to liquidate the assets?

Surety Bonds

A surety bond is issued by a third party, known as a surety, as a guarantee the second party will fulfill its obligations or meet certain laws. If the second party fails to do this, the bond covers the damages.

Required for some licenses or permits (e.g., car

dealer, construction contractor)

- Protection for consumers and for government
- "Bid bond" may be required to submit a bid to the government

Location-Related Considerations

Business location affects type of policy

Home-based – Add-on to homeowner's or separate

Warning: Your traditional homeowner's insurance may NOT cover damage caused by your home-based small business!

- Retail one or more locations, inventory theft, credit card theft, personal vehicle for deliveries
- Flood Insurance

What Is Title Insurance? Do I Have to Buy It? Do I Want to Buy It?

- When you buy property (land or land with a building such as a home), the seller transfers the title to the property to you.
- ▶ <u>Title</u> to property means legal ownership of the property. Some problems with the title could prevent the seller from transferring the property title to a buyer or prevent a lender from issuing a mortgage loan.
- ▶ <u>Title insurance</u> helps to make sure the seller can transfer the title to you. It also may help protect you if a problem with the title comes up after you buy or refinance property.
- Source: Google Search https://www.naic.org documents
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What Is Title Insurance?

- ▶ Title insurance doesn't guarantee there are no problems with a title. But it does guarantee that there are no problems with the title that would prevent a sale or refinance of the property.
- If you borrow money to buy a property or if you refinance your mortgage, you have to buy a *loan title policy* because the lender requires it.
- ➤ You pay the premium once for each new <u>loan title policy</u> (also known as a <u>lender's title policy</u>). This loan policy protects the lender. The loan policy stays in force as long as the mortgage loan exists.
- ▶ You don't have to buy an <u>owner's title policy</u> when you buy a property, but this policy gives <u>you</u> protection above the protection of the loan title policy. You buy (and pay for) an owner's policy once each time you buy a property, and it stays in force—keeps protecting you—for as long as you own the property.

What Is Title Insurance?

- Premium <u>discounts</u> may be available to lower your premium. The most common discount is a <u>refinance or reissue discount</u>. Ask your title agent or title insurer about discounts.
- ▶ In Louisiana title insurers may charge different premium rates. Shop to find the lowest premium.
- ► The premium you pay for title insurance in Louisiana does **not** cover title search or examination. You will be charged a separate fee for these services in addition to the premium charged for the title insurance.
- ▶ While your lender may require you to buy a loan title policy, <u>you always have the right to choose</u> the title agent and title insurance company. If your real estate agent, attorney, lender, home builder or other real estate professional tells you that you're required to use a particular title agent or title insurer, that's not true, and you should report this to <u>Louisiana Department of Insurance</u> and the <u>U.S. Consumer Financial Protection Bureau</u>.

What Is Title Insurance?

- ▶ The <u>Louisiana Department of Insurance</u> and the <u>U.S. Consumer Financial Protection Bureau</u> have more information about title insurance. They also will take your complaint if you feel you haven't been treated fairly.
- With title insurance, you get a title search, a title commitment and a title insurance policy. In a <u>title</u> <u>search</u>, the title agent or title insurance company searches public records for any problems with the title, such as someone other than the seller having a legal right to the property.
- ▶ The <u>title commitment</u> is the insurance company's promise to issue a title insurance policy under certain conditions.
- The <u>title insurance policy</u> is the title insurance company's promise to try to fix some problems missed during the title search or to promise to pay your lender or you if the title problems can't be fixed.
 Remember, a title insurance policy doesn't guarantee there are no problems with a title but the policy serves as a tool to resolve problems with the title that would prevent a sale or refinance of the property.

Selecting a Policy

Weigh the costs to insure the risk

• Does it make sense? Could you cover it without insurance?

Consider policy costs with deductibles and coverage limits

- Is the coverage sufficient?
- Does the policy provide for growth?
- Are there time constraints on modifying coverage?



A Life Well Planned: Being prepared can get you

and your family through life's most difficult moments: Keeping Records Organized and up to Date is Important

- Documentation (Contacts, Legal Documents, Loans and Liabilities)
- Assets
 - ► Financial Records
 - Records of Property
- Online Access
 - Personal Account Information
 - ► Financial and Insurance Accounts
 - Credit Card Accounts
 - Automatic Payment Accounts
 - Business and Job-Related Accounts
- For Your Survivors
 - ► Final Arrangements
 - ▶ Importance of a Will

Selecting a Company and an Agent

Compare quotes, coverage, deductibles and other details

• Stable and accessible?
Check consumerand
business reviews,
network with others

Know what's **not** covered!

What to Do After the Purchase

- Keep policies easily accessible
- Keep phone numbers readily available
- Maintain insurance-related procedures in business continuity plan
- Review policies periodically
- Meet with agent from time-to-time



Continued.

Key Points to Remember

- Insurance
 - Minimizes the impact risks can have on your ability to continue operations
 - Impacts continued financing
 - Helps retain employees
 - Provides protection from liabilities
- Your location, facilities, autos and type of business operations determines your insurance needs

Don't End Up Shipwrecked without the Right Insurance Recovery Plan



Insurance Presentation Creating Neighborhood Developers Program

Thank You

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