You Better Shop Around:
An Agent’s Guide to Retail Insurance
## Table of Contents

1. **CHAPTER**
   - **Clothing Shops, Grocery Stores, Pharmacies, and More** ......................................... 5

2. **CHAPTER**
   - **General Merchandise Stores** ............................................... 10

3. **CHAPTER**
   - **Jewelry Stores, Art Galleries, Home Décor Shops, and More** ............................ 16

4. **CHAPTER**
   - **Drugstores, Pharmacies, and Health & Beauty Supply Stores** ............ 21

5. **CHAPTER**
   - **Groceries, Specialty Food Markets, and Liquor Stores** ........................ 26

6. **CHAPTER**
   - **E-Cigarette and Tobacco Stores** ........................................... 31

7. **CHAPTER**
   - **Musical Instruments, Office Equipment, Hardware, Pet Supplies, Book, and Toy Stores** .......................... 36

8. **CHAPTER**
   - **Thrift Stores and Resale Shops** ........................................... 41

9. **CHAPTER**
   - **Optical Goods Stores and Florists** ....................................... 46

Conclusion: A Few Final Words on Retail Insurance ........................................... 51

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An Introduction to Insurance for Retailers: Where Does One Shop End and Another Begin?

Is it an election year? If so, you’ve probably heard the phrase, “Small business is the backbone of the American economy” ad nauseam. Still, it’s hard to argue that point, especially when the Small Business Administration claims [PDF] that 99.7 percent of US employer firms are considered small businesses.

Small businesses dominate retail, but as an industry, it covers a laundry list of shop types. Do you know what kind of insurance an athletic apparel store needs? What about a store that sells office equipment? Or party supplies?

If you’re scratching your head, this eBook can help. In it, you’ll discover...

- The basic commercial insurance policies for retail shops.
- Facts and figures to help you determine the opportunities in retail insurance.
- Questions to help you investigate your client’s unique risks.
- Information about classifying different types of retail stores.
- The specialty coverages certain retailers should consider.

Half of US retail stores have fewer than 10 employees.
Retail is an industry rich with possibility, but only if you know what insurance retail stores need. Use this guide to focus your marketing and grow your book of business.

**Tips for Writing Retail Insurance**

Is there a town in American that doesn’t have a Main Street? It might not always be called “Main Street,” but every city has that one stretch of road that’s the heart of commerce. It probably has a gift store or a trendy boutique. Maybe there’s a consignment shop and a bookstore, too. It’s the kind of place where shops are owned by neighbors – people the customers know by name.

The romanticized idea of Main Street isn’t too far from reality. According to the National Retail Federation, more than 98 percent of the retailers in this country employ fewer than 50 people.

In other words, the retail industry is home to a lot of small-business owners who need insurance. But if a storekeeper came to you for help, would you be up to the task? For example, do you know...

- If General Liability Insurance addresses all of a pharmacist’s responsibilities?
- How online sales might impact liability coverage?
- Whether a standard Property Insurance policy is sufficient for a jeweler?
- What policy protects a shop owner when a product causes an injury?

This next section answers questions like these for the various retailers who might come your way. Find the section that best represents your client to learn some of their unique risks and insurance needs.

**Only 2% of retailers have more than 50 employees**
Chapter 1

Clothing Shops, Grocery Stores, Pharmacies, and More
Chapter 1: Clothing Shops, Grocery Stores, Pharmacies, and More

Have you ever stopped to think about the number of things you can buy? Or, for that matter, the number of places you can buy them? Imagine you need a present for a friend. That could mean running to a local bookstore, a favorite boutique, or a jewelry store. Factor in online shops, and the possibilities are endless.

Diversity may be great for the economy, but it can be bit overwhelming when you’re writing retail insurance. That’s where this eBook can help. It includes tips for how to write coverage for various types of retailers. To make things easier for you, it clusters types of retailers that have similar risks and require similar products and considerations.

What a store sells has a major impact on the policies it needs. If you can’t find an exact description of your retail client in this book, you can get an idea of how to cover it by determining whether its products are...

- Expensive
- Decorative
- Useful
- Consumable
- Potentially harmful

...and looking at the section of this book that outlines retail insurance concerns for stores with similar risks.

A store’s merchandise affects its coverage needs.
3 Questions that Help You Insure a Retailer

Pin down the answers to the following three questions to get acquainted with your retail client’s risks:

- **What?** The products your client sells affect their coverage. Some items carry more risk, which means the seller has a greater responsibility to their customers. For example, poorly designed snowboard bindings can cause serious injury. Even though the storeowner didn’t design it, they may be liable simply for selling a defective product. Some retailers sell items that make finding coverage particularly difficult, especially if they sell kayaks, guns and ammunition, adult toys, or motorized vehicles.

- **Where?** As you probably know, a store’s location plays a significant role in your client’s coverage. Rates are influenced by the size of the store, safety of the neighborhood, and the amount of foot traffic in the area. You also need to find out if your client sells their wares online. Most retailers generate a portion of their revenue online, which may lead some insurers to limit advertising injury coverage. It might also mean they should get Cyber Liability Insurance.

- **How much?** Every retailer needs Property Insurance to protect their inventory, but some shops specialize in high-value items. Jewelers, art dealers, and antique shop owners are just a few examples of retailers whose stock requires special policies, such as Jeweler’s Block Insurance and Inland Marine Insurance.

This is by no means an exhaustive list. Instead, use it as a starting point for understanding some of the central issues surrounding insurance for storeowners.
What Insurance Policies Do Retailers Need?

Let’s start with the basics. Most retail businesses need...

- **General Liability Insurance.** A General Liability policy covers a shopkeeper when customers are injured on commercial property. Say, for example, your client stacks their inventory too high and boxes fall on a customer’s head. General Liability Insurance can pay for the ensuing medical bills and lawsuit expenses.

- **Property Insurance.** Commercial Property Insurance pays for items to be repaired or replaced after they are lost or damaged because of a fire, theft, or windstorm. Smaller retail operations may qualify for a Business Owner’s Policy (BOP). This insurance package bundles GL with Property Insurance at a lower rate.

- **Workers’ Compensation Insurance.** Retail workers can be subject to a number of injuries, such as cuts, falls, scrapes, and strains. Workers’ Comp can pay for medical bills and lost wages when employees are injured while working.

- **Cyber Liability Insurance.** According to Verizon’s 2014 Data Breach Investigation Report, retail is a top target for point-of-sale and denial-of-service attacks. That means even if your client doesn’t use a website to sell their goods, they probably still need Cyber Liability coverage to help them pay for data breach cleanup costs.

You can customize your retail client’s General Liability and Property Insurance policies to address their specific risks. For example, you may want to explore...

- **Product Liability Insurance.** When a product malfunctions and injures a customer, lawyers may cast a wide net in search of compensation. Product Liability coverage, which is typically included in General Liability policies, can address the legal expenses associated with these types of claims. If your client has this coverage, they usually don’t need Errors & Omissions Insurance.

- **Business Interruption Insurance.** If your client qualifies for a Business Owner’s Policy, they likely have Business Interruption Insurance included as part of their Property Insurance. Business Interruption (or Business Income) coverage protects a retailer’s
income when covered Property events keep their store closed. Should a storekeeper have to temporarily close their doors because of a storm or a riot, Business Interruption Insurance may cover lost revenue, rent for a temporary storefront, and more.

- **Power Outage Insurance.** If a storm hits the area’s power plant and shuts off your client’s electricity, their Business Interruption policy may not cover the downtime. Retailers can add Power Outage coverage to their Property Insurance for that protection.

- **Spoilage / Temperature Change Insurance.** Retailers with perishable stock, such as grocers, florists, and pharmacists, can lose thousands if their refrigeration system breaks down. Spoilage / Temperature Change coverage can cover lost income and replace spoiled products.

Finally, let’s talk about how to insure expensive stuff. Antiques, fine art, jewelry, and even some memorabilia usually require more insurance than a standard Commercial Property policy can provide. Retailers who deal in high-end merchandise may need...

- **Inland Marine Insurance.** Perhaps you know Inland Marine as coverage for goods in transit, but it also offers the broader coverage that valuable goods require. Even if your client doesn’t sell big-ticket items, they may want Inland Marine Insurance if they have fine art on display in their store.

- **Jeweler’s Block Insurance.** This coverage protects a jewelry store’s expensive inventory, but it also protects raw materials, customer property, jewels on loan or display, and goods in transit. Jeweler’s Block may even pay for security guards if a store’s alarm system fails.

- **Fine Art Insurance.** Art dealers and gallery owners can get Fine Art coverage to protect their inventory when it’s at a permanent location, in transit, and on loan to clients.

That’s the big picture for shopkeeper insurance. Now let’s drill down into the class and learn how to identify risk for your particular retail client.
Chapter 2

General Merchandise Stores
Chapter 2: General Merchandise Stores

General merchandise stores – those little shops that sell everything from clothing to cards – and their kin struggled through the Great Recession with every other retailer. But according to the US Census, the post-recession years have been surprisingly prosperous for gift stores, greeting card shops, and sporting goods stores. Just take a look at the upturn these different retailers experienced between 2007 and 2012:

- The number of gift shops increased 59 percent, with sales increasing 78.2 percent.
- The number of sporting goods stores increased 89.9 percent, with sales increasing 135.5 percent.
- The number of general merchandise stores increased 114 percent, with sales increasing 122.3 percent.

The stats include stores big and small, so it’s valuable to also note that...

- 12,251 gift shops have fewer than five employees.
- 13,625 sporting goods stores have fewer than 10 employees.
- 7,910 general merchandise stores have fewer than 20 employees.

Whatever is driving their success, general merchandisers, clothing stores, and collectible stores represent an excellent market for the independent insurance agent willing to learn about the class.

Post-recession growth has been strong for general merchandisers.
Questions to Ask a General Merchandise Retailer

Most retail risk lies in the what, where, and how they sell. Start understanding your client by asking the following questions.

1. **What kind of products do you sell?** Certain products can potentially harm customers, and that can have a major impact on insurance rates. Here are some things to keep in mind:
   - Gift, shops, novelty stores, and even sporting goods stores may sell products that customers ingest, which can lead to health complications.
   - Some athletic equipment can be especially dangerous when it malfunctions.
   - Retailers can be held liable for the products they sell. To address that risk, make sure your client’s General Liability policy has Product Liability coverage.

2. **On average, how many customers visit your store in a day?** More people on their premises increases the chance for accidents, injuries, and theft.
   - Certain locations, such as tourist-heavy areas, get more foot traffic.
   - Be sure your client has sufficient General Liability for the number of customers in their shop.

3. **Do you sell products online?** Your client’s percentage of online sales may change the policies available to them.
   - Some insurers don’t cover personal and advertising injury lawsuits for stores that make over 50 percent of their sales online.
   - Any amount of online sales indicates a need for Cyber Liability Insurance.
   - Cyber Liability can be purchased as a standalone policy or added to a Business Owner’s Policy.

4. **Do you rent your storefront?** Some shop owners assume the landlord is responsible for all of the property, but this isn’t always true.
   - Most landlords insist that shop owners have a degree of coverage for the building.
   - Shop owners also need Property Insurance to protect their inventory, equipment, and furnishings.
   - Read the lease closely to determine who is responsible for maintenance in and around the store.

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*Post-recession growth has been strong for general merchandisers*
5. **How do you secure your merchandise?**

Theft by customers and employees is a common threat for retailers.

- According to the [Annual Retail Theft Survey](https://www.annualretailtheftsurvey.com) conducted by corporate consulting firm Jack L. Hayes International, Inc., shoplifting accounts for 30 to 40 percent of retail losses.

- Shopkeepers can mitigate their risk by hiring security personnel, locking up valuable merchandise, keeping sightlines clear of distractions, and installing security cameras.

### Classifying General Merchandise, Athletic Apparel, and Gift & Novelty Stores

Lots of insurers use [NAICS codes](https://www.census.gov/naics/) to determine premiums, so that’s usually the first stop for classifying commercial risks. With this group, however, the wide variety of products sold in these stores makes classification more complicated.

Take, for example, stores that sell athletic apparel and equipment. In the NAICS, these are grouped under the category “sporting goods stores.” Reasonable enough, right? But now look at the different products sporting goods stores might sell:

- Athletic uniforms.
- Saddles.
- Diving equipment.
- Golf clubs and accessories.
- Treadmills.
- Bicycles.
- Hunting rifles.

It’s pretty safe to assume that the product liability issues surrounding golf clubs are significantly different from those associated with scuba gear and shotguns.

Gift, novelty, and souvenir stores offer another example. This category may include...

- Greeting card shops.
- Curio shops.
- Balloon shops.
- Christmas stores.
Again, there may be different degrees of product liability concerns, but you also have to consider permanence. Balloon shops or Christmas stores may be seasonal, and that can result in a unique set of exposures that can kill a provider’s appetite.

General merchandise stores might be the easiest to classify. This category may include...

• Variety stores.
• General stores.
• Trading posts.
• Dollar stores.

Basically, these retailers sell just about anything, and no single product dominates. So if your client mostly stocks hardware, their store probably isn’t a general store, even if it does sell candy and cleaners, too.

Seasonal stores and those that sell high-liability products are trickier to place.
Insurance Policies for General Stores, Sporting Goods Stores, and Curio Shops

You identified exposures and classified the risk. Now it’s time to recommend policies. Consider exploring the following policies for general merchandise retailers.

- **General Liability Insurance.** Suppose a customer tries out a treadmill that malfunctions and sends them flying through the store. General Liability can cover medical bills and the storekeeper’s legal fees if the injured customer sues over the injury.

- **Property Insurance / BOP.** When some punk shoplifts a $1,000 curio or a fire destroys a rack of muffin tins, Property Insurance can cover replacement costs. Many variety stores and gift shops can save money by bundling their Property Insurance with General Liability Insurance in a package called a Business Owner’s Policy (BOP).

- **Workers’ Compensation Insurance.** If an employee falls from a ladder while restocking sports gear, Workers’ Compensation Insurance can pay for their medical bills and lost wages. Most states require employers to carry this policy.

- **Cyber Liability Insurance.** Retailers are particularly vulnerable to point-of-sale (POS) attacks, which makes Cyber Liability a necessity. Cyber Liability helps retailers recover from data breaches by paying for credit-monitoring services, client notification expenses, and other costs.

If you’re struggling to place a risk, don’t hesitate to call us with your questions.
Chapter 3

Jewelry Stores, Art Galleries, Home Décor Shops, and More
Chapter 3: Jewelry Stores, Art Galleries, Home Décor Shops, and More

What do hobby shops, party supply stores, jewelry stores, housewares shops, window treatment stores, and art galleries have in common? A couple of things, surprisingly:

1. These retailers sell items that tend to be decorative, which makes their risks similar.
2. These shops tend to be small businesses.

Take a look at the percentage of stores with fewer than four employees, according to the US Census:

• **79 percent** of art dealers.
• **73 percent** of window treatment retailers.
• **51 percent** of jewelry stores.
• **49 percent** of home furnishing shops.
• **35 percent** of hobby supply stores.

In other words, this group represents plenty of opportunity for your agency. Let’s take a look at what you need to know about finding insurance for these retailers.
Questions to Ask Art, Hobby Supply, and Jewelry Store Owners

Getting to know your client’s store is the first step toward finding the appropriate coverage. Here are some questions to get you started:

1. **What kind of products do you sell?**
   What a retailer sells determines the amount and kind of coverage they need. Here are some things to bear in mind:
   - Items whose values are difficult to pinpoint require Inland Marine Insurance.
   - Fine art dealers and art gallery owners need Inland Marine Insurance with fine arts coverage.
   - Jewelers typically need a specialized Inland Marine policy called Jeweler’s Block Insurance.

2. **How do you secure your wares?**
   Theft is a problem for all retailers, so shop owners should take steps to mitigate their risk.
   - The Annual Retail Theft Survey (a publication of corporate consulting firm Jack L. Hayes International, Inc.) estimates that 30 to 40 percent of retail losses are the result of shoplifting.
   - Storeowners should install security cameras, hire security guards, lock up high-ticket items, and eliminate blind areas in their shop.

3. **Do you rent your storefront?**
   Renters sometimes think their landlord is responsible for all of the property in and around their store, but this is not always the case.
   - Many landlords require proof of General Liability and Property Insurance from their lessees. Get your client a Certificate of Insurance as soon as possible.
   - Read through your client’s lease to note if they are responsible for the maintenance of heating or air conditioning equipment, storage areas, walkways, and parking lots.

4. **Do you sell products online?**
   The percentage of online sales may change the scope of your client’s coverage.
   - Certain insurers lose their appetite for advertising and personal injury coverage when a store earns over 50 percent of its revenue online.
○ Cyber Liability Insurance can cover data breach risks associated with Internet transactions and point-of-sale systems.

○ Cyber Liability can be purchased as a standalone policy or bundled with a Business Owner’s Policy.

Some insurers use their own classification system, so be sure to investigate your client’s product lines and operations thoroughly. That will help you avoid the errors that cause inaccurate rates and unhappy customers.

How to Classify Jewelry Stores, Art Galleries, Home Décor Shops, and More

Searching the NAICS codes is usually your first step toward classifying these businesses. While most of these shops have their own code, reviewing which operations are included and which are left out can help you define the risk. For example, these stores’ classifications may change if they...

• Sell items online or through mail order.
• Sell items that are made on their premises.
• Sell items that are used.
• Rent their products.

Insurance Policies for Jewelry Stores, Art Galleries, Home Décor Shops, and More

Most jewelry stores, art galleries, and home furnishing shops need a full array of commercial policies plus a couple of extras if they sell high-end goods. Depending on what they sell, your client may need...

• **General Liability Insurance.** Third-party lawsuits over bodily injuries and damaged property can devastate small shop owners. General Liability covers this exposure by paying for lawyer fees, settlements or judgments, and medical bills.

• **Property Insurance.** Retailers have plenty of property to protect: inventory, store space, and furnishings, to name a few. Commercial Property Insurance pays to...
repair or replace covered property when it’s lost or destroyed because of fire, theft, or windstorms. However, some inventory calls for special coverage, such as…

○ Fine art, which requires Inland Marine Insurance with fine arts coverage.

○ Jewelry, fine watches, and sterling or plated silverware, which require Jeweler’s Block Insurance.

• **Workers’ Compensation Insurance.** Stocking inventory can harm employees. For example, they could slice a finger while opening crates or injure their backs while lifting boxes. Workers’ Compensation can help pay for medical bills and lost wages when employees are hurt at work.

• **Cyber Liability Insurance.** Cyber criminals hit retailers with website assaults, POS hacks, and denial-of-service attacks. Cyber Liability helps retailers get back on their feet by paying for credit monitoring, client notification, and other data breach costs.

Additionally, many jewelry, art, and hobby stores are small, low-risk operations. That means they might qualify for a Business Owner’s Policy that bundles General Liability with Property Insurance at a lower rate. BOPs sometimes include other policies, such as Cyber Liability or Commercial Auto Insurance, too.
Drugstores, Pharmacies, and Health & Beauty Supply Stores
Chapter 4: Drugstores, Pharmacies, and Health & Beauty Supply Stores

The small town drugstore with the friendly pharmacist seems like something out of a black and white movie, but many Americans still fill prescriptions and buy cosmetics this way.

Even though just five national chains account for about 65 percent of all prescription-dispensing revenue in the United States, the National Community Pharmacists Association reports that independent pharmacies took in $88.5 billion in 2011. Since the Affordable Care Act took effect, more individuals can buy medicine, and many experts predict growth for pharmacists and pharmacy technicians wherever they work.

According to the last US Census’s nonemployer data, there are 6,560 nonemployer drugstores (i.e., pharmacies where the owner is the only employee) – a potentially profitable market for you independent insurance agency. Let’s take a look at some of the common risks for pharmacies, drugstores, and health & beauty supply stores.

Independent drugstores earned $88.5 billion in 2011.
Questions to Ask a Drug Store or Health & Beauty Store Owner

A corner drug store might seem like a typical retail venture, but it has some unique risks that can have a major impact on its coverage. To accurately assess client risks, consider asking the following questions:

1. **Do you perform any compounding?**
   Most pharmacists do, and that may affect their Errors & Omissions Insurance.
   - Pharmacists may alter drugs to help patients who can’t swallow pills or are allergic to certain agents.
   - Compounded drugs have been the source of some health scares, such as the meningitis outbreak in 2012.
   - Clients who sell products under a house label (e.g., “Dr. Z’s Amazing Snake Oil Liniment”) may be declined.

2. **Do you offer delivery?**
   Delivery service can distinguish small drug stores from the big competition, but it comes with added risk.
   - Vehicles owned by the drug store should be covered by a Commercial Auto Insurance policy.
   - Delivery drivers who use their own cars need to have their own Commercial Auto coverage.

3. **What security systems do you have in place?**
   Your client’s ability to mitigate their risks can help keep their Property Insurance premiums low.
   - Drugstores have lots of small, valuable merchandise that attracts shoplifters.
   - Some items, such as cold medicine, are particularly attractive to thieves.
   - Clients can protect their inventory by installing security systems, minimizing blind corners, keeping displays away from doors, and locking away valuable inventory.

4. **How do you protect customer information?**
   Drug stores have protected health records and payment information on their systems, which makes them lucrative targets for cyber criminals.
   - Some customers are actually patients, so their information is protected by HIPAA. The Journal of the American Pharmacists Association has advice for implementing HIPAA-compliant safeguards in a drug store.
   - Drug store owners also need to protect their POS systems against hacks.
   - Cyber Liability Insurance is essential coverage for drugstores and pharmacies because it can help them recover from the high cost of a data breach. Some policies even offer limited coverage for HIPAA fines that follow a breach.
How to Classify Drug Stores and Health & Beauty Supply Stores

Drug stores and health and beauty supply stores each have their own category in the NAICS. A pharmacy retails prescription and nonprescription medicines; a health and beauty product store sells toiletries, perfumes, and personal grooming supplies.

That seems easy enough, but what if your client...

• Manufactures the supplements, oils, or ointments they sell?
• Provides orthopedic shoes or prosthetic limbs?
• Sells their wares online or through mail order?
• Offers haircuts, makeup applications, or spa services?

Each of these may change your client’s classification, so investigate thoroughly.

One more thing: in a pinch, you’ve probably picked up cold medicine at your local convenience store. This doesn’t make them drug stores or pharmacies. If most of your client’s revenue comes from selling chips and soda, they should be classified as a convenience store.

Drug stores must comply with HIPAA regulations.
Insurance Policies for Health & Beauty Product Stores and Pharmacies

Whether they fill prescriptions or sell cosmetics, your client needs a battery of commercial insurance policies to protect their assets. Explore the following policies for your client:

- **General Liability Insurance.** A busy drugstore might see hundreds of customers in a day. General Liability helps the owner when a patron suffers a bodily injury on commercial property or accidentally damages customer property.

- **Errors & Omissions Insurance.** This policy pays for legal expenses when your client is sued for making a mistake while filling a client’s prescription.
  
  - **Commercial Property Insurance.** Property Insurance pays for lost or damaged property (e.g., the store, inventory, and equipment) caused by theft, windstorms, vandalism, and fire.

- **Commercial Auto / Hired & Non-Owned Auto Insurance.** While Commercial Auto covers the vehicles registered to the business, Hired & Non-Owned Auto protects your client when they borrow or lease cars. It can cover the business’s liability if employees use their own car to run work errands and get into a wreck.

- **Workers’ Compensation Insurance.** Required by most states, Workers’ Comp pays for medical expenses and lost wages when employees are injured at work.

- **Cyber Liability Insurance.** Cybercriminals love retail and healthcare stores, which is why pharmacies should invest in Cyber Liability coverage. It helps pay for customer notification, security repairs, and credit-monitoring services after a breach.

You might also want to check out a Business Owner’s Policy (BOP) for your retail clients. It saves them money by bundling General Liability and Property Insurance together at a reduced annual premium.
Chapter 5

Groceries, Specialty Food Markets, and Liquor Stores
Chapter 5: Groceries, Specialty Food Markets, and Liquor Stores

The biggest trend in food these days is locally sourced anything. Just look at the National Restaurant Association’s What’s Hot 2015 Culinary Forecast. The buy-local trend dominated the top 10 list. Not only do the top two trends revolve around locally produced food, but the list also includes “hyper-local sourcing” and “farm / estate branded items.” What does that have to do with food and beverage retailers? It’s just one of the forces driving consumers to seek out neighborhood grocers, specialty seafood markets, and artisan cheese shops.

According to a 2012 survey by market intelligence firm Mintel, 52 percent of health-conscious shoppers say buying local is more important than buying organic. While that seems like a small majority, even major retailers are paying attention. Wal-Mart, for example, pledged in 2010 to double its locally grown produce.

Small groceries and artisan shops might not be able to compete with a major player like Wal-Mart, but the increased interest in their products should drive growth in the industry. However, tight profit margins mean the owners will be looking for a good deal when it comes to insurance.
Questions to Ask Grocery Store, Specialty Food Market, and Liquor Store Owners

In addition to the run-of-the-mill business exposures, groceries and markets sometimes face unique risks. Here are some questions that can help you discover your client’s exposures:

1. **What percentage of your sales is in liquor?**
   Liquor stores obviously have a lot, but it’s not uncommon for grocers or specialty stores to sell a small quantity, too. These sales can...
   - Increase liquor liability exposures. Even if liquor is never consumed on your client’s premises, they can be named in a lawsuit after an alcohol-fueled incident causes damages.
   - Affect Liquor Liability Insurance rates. Storeowners that make most of their money from liquor sales may pay more for their coverage.

2. **Do you offer delivery service?** More and more consumers prefer to have their groceries delivered, but that service adds risks for your client.
   - Delivery vans and trucks used for business need Commercial Auto coverage, even when they are registered in the owner’s name.
   - Delivery drivers who use their personal auto for business need to find their own commercial insurance.

3. **Do you perform regular maintenance on your equipment?** A power outage or broken refrigerator can shut some food markets down.
   - Regular maintenance can minimize the risk, but your client should also look for industry-specific policies like Food Spoilage, Temperature Change, and Power Outage coverage.
   - Business Interruption Insurance can help storeowners recover lost income when a covered incident keeps them from operating.
   - All of these options can be endorsed on a Property Insurance policy or Business Owner’s Policy.

4. **What security measures do you have in place?**
   Almost **$13 billion** worth of goods are shoplifted every year, according to the [National Association for Shoplifting Prevention](https://www.shoplifting.org). Mention to your client that...
   - Property Insurance covers theft.
   - They can mitigate their risk by installing security cameras, keeping sightlines clear for employees, moving displays away from exits, and hiring security guards.

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$13 billion in merchandise is stolen from retailers every year.
How to Classify Grocers, Food Markets, and Liquor Stores

The amount of overlap between the different kinds of food and beverage stores makes classifying these different markets a little trickier than you might expect. Liquor stores are a good example of this. Some sell only booze. Add in prepackaged snacks, though, and you’ve drifted into convenience store territory. Other liquor stores might specialize in a particular kind of booze (e.g., a wine shop). But what if they add in artisan cheeses or meats? What are they then?

Here’s another good example: grocery stores vs. supermarkets. People use those terms interchangeably, and NAICS gives them the same code. The ISO, on the other hand, separates the two based on receipts and square footage.

Whom you market the risk to plays a part in how it’s ultimately classified, too. Larger carriers don’t always use the ISO standards, but they may. Make sure you’ve researched your client’s business practices and studied their receipts so you can provide accurate information on the application.
Insurance Policies for Grocery Stores, Specialty Food Markets, and Liquor Stores

Knowing your client’s exposures makes finding the appropriate insurance easier. Guide storeowners toward...

- **General Liability Insurance.** Grocery stores get a lot of foot traffic, which means they need General Liability Insurance. If a customer sues over bodily injuries or property damage, GL can cover your client’s legal expenses.

- **Property Insurance.** Property Insurance protects the store’s physical space and equipment against loss or damage caused by fire, theft, vandalism, and certain weather events. Remember, too, that you can add Food Spoilage, Temperature Control, Power Outage, and Business Interruption riders.

- **Workers’ Compensation Insurance.** In retail, employees often lift heavy boxes or climb ladders to restock inventory. If an employee is injured at work, Workers’ Comp can pay for their lost wages and medical bills.

- **Liquor Liability Insurance.** Say an employee forgets to check an ID and sells alcohol to a minor. If that minor injures someone in a booze-laden altercation, Liquor Liability protects your client’s assets in the ensuing court case.

- **Commercial Auto Insurance.** Business travel is inherently riskier than personal travel. Make sure your client’s delivery trucks and vans are covered by Commercial Auto.

Retailers of any kind have risks, but most enjoy a low risk profile. That means grocery store and market owners might qualify for a Business Owner’s Policy (BOP). A BOP is a convenient and affordable option that bundles General Liability and Property Insurance together.
Chapter 6

E-Cigarette and Tobacco Stores
Chapter 6: E-Cigarette and Tobacco Stores

You want to hear something wild? Tobacco stores are thriving. So are tobacco sales. It’s completely counterintuitive, considering the efforts of nonsmoking advocates, but it’s true. Just look at these tobacco retailer stats from the US Census. Between 2007 and 2012, tobacco shops increased in...

- Number by **37 percent**.
- Sales by **22 percent**.
- Total employment by **27 percent**.

Didn’t people get the Surgeon General’s warning? For the most part, they have. The Centers for Disease Control claims smoking among adults continues to drop, so why would there be fewer smokers but more places to buy cigarettes?

According to Bloomberg Business, the answer is murky at best. One possibility is that the higher cigarette prices and major retailers like CVS getting out of the tobacco business have created opportunities for discount tobacco stores. Another possibility is the number of people trying to quit has paved the way for the vape shops selling e-cigarettes.

Whatever the reason, e-cigarette and tobacco stores represent a growth opportunity for your independent insurance agency. Let’s take a look at some of the things you’ll need to know to market this risk.

Tobacco sales per capita in the US are up 17% since 2007.
Questions to Ask E-Cigarette and Tobacco Store Owners

Every retail establishment is different, but selling tobacco in any form places some serious responsibilities on the shop owner’s shoulders. Here are some questions you can use to figure out what your client’s risks are.

1. **Do you sell e-cigarettes (also called personal vaporizers, atomizers, and rechargeable cigarettes)?** Products-Completed Operations coverage is one of the most important policies for e-cigarette retailers.
   - Product Liability Insurance is typically included in General Liability policies, which cover a shop owner’s responsibility for their products after a customer removes them from the store.
   - Opting out of Product Liability coverage can lower premiums significantly, but it isn’t advisable.
   - E-cigarettes are a relatively new, untested, and unregulated technology. Not including Product Liability coverage can leave a tobacco retailer exposed.

2. **Do you have any employees?** Lots of tobacco stores are small mom-and-pop retailers, but discount tobacco superstores are a recent trend.
   - Workers’ Compensation Insurance is mandatory in most states.
   - Some states allow owners, officers, and partners to exempt themselves from coverage. This can keep costs down.
   - A sole proprietor may want Workers’ Comp coverage for themselves in case an illness or injury stops them from working.

3. **What security measures do you have in place?** Cigarettes are small, expensive, and addictive. That increases the likelihood of theft.
   - According to the National Association for Shoplifting Prevention, retailers lose $13 billion each year because of shoplifters.
   - Tobacconists can protect their goods by installing security cameras, keeping items near exits under lock and key, and minimizing blind areas in their shop.

**E-cigarette retailers need Products-Completed Operations coverage.**
Classifications for Tobacco Stores & E-cigarette Shops

According to the [NAICS](https://www.naics.com/), a tobacco store is any retail establishment that sells tobacco products and smoking supplies, which includes...

- Cigar shops.
- Permanent cigarette stands.
- Head shops.
- Tobacco stores.

That seems pretty straightforward, but there are a couple of things to remember. First and most important, any of these could sell e-cigs. While e-cigarettes don’t use tobacco, their purpose, use of nicotine, and growing popularity makes them attractive to tobacco retailers. But insurers see e-cigarettes as a significantly riskier product, which means some may decline a shop that sells them and others will charge a pretty penny for coverage.

Another blurry line is when a cigar shop offers a space for people to smoke or hosts events to draw customers. Letting clientele light up in house isn’t a deal breaker, but it may mean people spend more time on site, which could increase a shop’s exposure to third-party lawsuits. The same goes for hosting events. But if your client offers other creature comforts, such as champagne at an anniversary party, they are going to need either Host Liquor Liability Insurance or Special Events Insurance.

Insurance Policies for E-cigarettes & Tobacco Stores

When insuring tobacco shop owners, be sure to explore the following commercial insurance options:

- **General Liability Insurance.** This coverage guards against certain third-party lawsuits, such as when a customer sues your client over a slip-and-fall accident that happened on their property. Product Liability Insurance is typically included in a GL policy. It protects a shopkeeper when a product they sell causes harm. For example, if a faulty e-cigarette explodes in a consumer’s hand, Product Liability can cover the shopkeeper’s legal fees.

- **Property Insurance.** In retail, theft is a constant concern, as is fire, vandalism, and any number of other events that cause property damage. Property Insurance
reimburses a tobacco shop owner if, say, an unattended pipe causes a fire that destroys their store and inventory.

• **Business Owner’s Policy.** Some tobacco shops may qualify for a Business Owner’s Policy (BOP). Designed for small-business owners, a BOP combines General Liability and Property Insurance and is usually a cost-effective way to get these essential policies.

• **Workers’ Compensation Insurance.** Workers’ Compensation covers a retailer’s employees when they suffer an occupational injury or illness. For example, if an employee strains their back lifting boxes of cigarette cartons, Workers’ Comp can cover their medical bills and lost wages.

If you have questions about what insurance your tobacco store client needs, contact an Insureon Solutions representative for a consultation.
Musical Instruments, Office Equipment, Hardware, Pet Supplies, Book, and Toy Stores
Chapter 7: Musical Instruments, Office Equipment, Hardware, Pet Supplies, Book, and Toy Stores

Though this may seem like a jumble of different types of stores, they all have something in common: they sell specialty equipment. For example, retailers in this group might sell...

- Keyboards, guitars, and sheet music.
- Pet beds, brushes, and toys.
- Trophies, plaques, and awards.
- Bar and hotel fixtures.
- Pool covers and skimmers.

Like many retailers, these stores have experienced significant post-recession growth.

According to the latest Census data, since the recession...

- Pet supply stores have increased by 100.3 percent.
- Electronics and computer stores have increased by 88 percent.
- Hobby and toy stores have increased by 75.4 percent.
- Office supply stores have increased by 52.4 percent.

More to the point, the vast majority of these shops are small businesses, which makes them potential customers for your insurance agency.

Pet supply stores have doubled since the recession.
Questions to Ask Specialty Equipment and Supply Store Owners

Despite the mixed-bag feel of this grouping, there are some common questions that can help you pinpoint the storeowner’s exposures. Start by asking the following:

1. **What type of equipment or supplies do you sell?** The type of products sold affects insurance rates.
   - Some items are more dangerous when they malfunction. Consider what your client sells, how it might be used, and how things may go awry when looking into coverages.
   - Toy storeowners should be particularly concerned about potential choking hazards.
   - Pet stores that sell exotic animals may have an especially difficult time finding coverage.
   - Be sure to find General Liability policies with Product Liability coverage to protect the storeowner after their goods leave their premises.

2. **Do you offer services in conjunction with your products?** Many small businesses have more than one revenue-producing line of business.
   - Musical instrument stores may host lessons, pet supply stores may offer grooming services, and office equipment shops may provide maintenance and repairs.
   - Product Liability typically covers these situations, too.

3. **Do you sell products online?** Significant online sales may limit insurance options for a retailer.
   - Some providers exclude personal and advertising injury coverage for retailers who make more than 50 percent of their sales online.
   - Any amount of online sales indicates a need for Cyber Liability Insurance.
   - Cyber Liability can be added to a Business Owner’s Policy to save your client money.

*Pet stores that sell exotic animals are a red flag for carriers.*
4. **Do you rent your storefront?** Landlords usually require commercial renters to have General Liability and Property Insurance.

   ○ Review a storekeeper’s lease to see how much coverage they need.

   ○ Check if they are responsible for insuring any areas beyond the storefront, such as parking lots or walkways.

**Classifying Equipment and Supply Stores**

One search of the NAICS codes shows just how disparate this category is. Each store has its own code – even the ones that seem similar, like hardware stores and home improvement centers. And none of them seem to address the possibility of additional services. What gives?

First, remember that while some providers base their rates on NAICS codes, others use their own classification based on their experience with risk. Plus, lots of small businesses try to increase revenue by offering related products (e.g., a home improvement center with a plant nursery) or services (e.g., a piano store that offers piano tuning). As a result, hardware stores, computer retailers, pet stores, and the rest often have multiple classifications with a governing class code based on the largest revenue-producing activity.
Insurance Policies for Trophy Stores, Video and Book Stores, and Office Supply & Stationery Stores

No matter what a retailer sells, most need basic commercial coverage, such as...

- **General Liability Insurance.** This policy covers a shop owner when nonemployees sue them over bodily injuries or property damage. Let’s say, for example, an employee drops a laminator on a customer’s toe. General Liability can pay for the customer’s medical bills and the storeowner’s legal fees if the customer sues.

- **Property Insurance.** Property Insurance can reimburse a retailer when their building, inventory, equipment, furnishings, and fixtures are damaged by theft, windstorms, or fire.

- **Cyber Liability Insurance.** Even if a storeowner doesn’t sell products online, they still benefit from Cyber Liability coverage, which helps pay for data breach cleanup costs.

- **Workers’ Compensation Insurance.** Workers’ Compensation Insurance pays for employee medical bills and replacement wages when they are injured while working. Most state laws require employers to have this coverage.

- **Commercial Auto Insurance.** If employees use business-owned vehicles to run errands or make service calls, your client needs Commercial Auto Insurance.

One last note: many of the retailers in this category qualify for a Business Owner’s Policy (BOP). BOPs bundle General Liability and Commercial Property Insurance in one convenient package for qualifying small businesses.
Chapter 8: Thrift Stores and Resale Shops

Not every industry struggled during the Great Recession. Take, for example, thrift stores and resale shops. According to the most recent Census, the years between 2007 and 2012 were good to stores selling used merchandise, which saw a...

- **39.2 percent** increase in sales.
- **29.3 percent** rise in total employment.
- **9.8 percent** increase in the number of establishments.

Maybe you’re wondering what those percentages really mean. Suffice it to say, the National Association of Resale Professionals reports the industry rakes in approximately **$13 billion** each year, which means it definitely represents a potential market for your insurance agency.

40% = Amount of increase in thrift store sales between 2007 and 2012.
Questions to Ask Thrift Store and Resale Shop Owners

Resale shops don’t all operate the same way. They might specialize in certain merchandise, survive on donations, or accept consignments. When you’re looking to insure a thrift shop, consider asking the following questions to help you assess the risk:

1. **What type of used merchandise do you sell?** The first step is to find out what kind of goods your client retails so you can pinpoint possible risk.
   - Certain items are inherently more risky (e.g., tools and appliances vs. clothing).
   - Reselling motorized vehicles of any kind, including boats and mobile homes, usually changes classification.
   - Reselling auto parts or tires also changes classification.

2. **What is your price point?** Sometimes, an old shirt is just an old shirt. Sometimes, it’s vintage couture. The price makes a difference because...
   - A higher price point may indicate the need for some extra coverage. For example, expensive antique furniture may justify the purchase of Inland Marine coverage.
   - Property Insurance seldom covers secondhand merchandise. That means only your client’s building, equipment, and furnishings will be protected by their policy.

3. **Have you disclaimed implied warranties?** According to the [Warranty Act](https://www.justice.gov/opa/pr/guidance-minded-consumer-should-know-about-used-products), used merchandise is covered by an implied warranty, which may affect your client’s liabilities.
   - Merchants can disclaim the implied warranty on their goods by clearly informing buyers the business is not responsible.
   - Some states do not allow “as is” sales. Check your client’s state laws.

4. **What security measures do you take?** Risk mitigation can help keep your client’s premiums low. Here are some points to be aware of:
   - [The National Association for Shoplifting Prevention](https://www.shoplifting.org/) reports retailers of all walks lose nearly $35 million to shoplifting each day.
   - Installing security cameras, using unique price tags, and keeping doors free of displays are some ways storeowners can protect merchandise.
5. **Do you offer pick-up service?** Donation pick-ups generate good will but increase risks.

- Vans and trucks registered to the store need Commercial Auto Insurance.
- Drivers who use their own vehicles need their own Commercial Auto coverage.

### Classifying a Thrift Store, Consignment Shop, or Resale Store

The NAICS lumps almost all kinds of secondhand stores into one category, which includes...

- Antique dealers.
- Consignment shops.
- Flea markets.

Additionally, the used merchandise sold by stores in this classification runs the gamut. A thrift store might sell...

- Records.
- Books.
- Furniture.
- Clothes.
- Memorabilia (e.g., autographs or baseball cards).
- Sporting goods.

The classification is pretty diverse, but it excludes...

- Pawn shops.
- Used car dealers.
- Auction houses.
- Online stores.

Generally, to be classified as a used merchandise store, your client’s operation should be a brick-and-mortar store that offers goods for a set price.

### Insurance Policies for Thrift Stores and Resale Shops

Like most retailers, thrift stores usually need...

- **General Liability Insurance.** When a customer falls inside a thrift shop, General Liability can pay for medical bills and legal expenses if a lawsuit follows.

- **Commercial Property Insurance.** Again, it’s important to tell your client that their inventory is probably not covered by their Commercial Property policy, but it can protect their building, equipment, and furnishings.

- **Business Owner’s Policy.** Small-business owners can usually combine their GL and Property Insurance in a Business Owner’s Policy (BOP). If they qualify, they can get both policies for a lower rate.
• **Workers’ Compensation Insurance.** If your client has employees, chances are the state requires them to carry Workers’ Compensation to pay for employees’ work injuries and illnesses.

• **Commercial Auto Insurance.** Driving for business is riskier than personal auto use – especially if it requires picking up heavy appliances. Your client needs Commercial Auto for their business-owned vehicles. If they drive personal cars for work errands, they probably still need commercial coverage.

One final note: thrift stores can be nonprofits. If your client operates a nonprofit resale shop, guide them toward Directors and Officers Insurance. This coverage protects the board and executives from employment lawsuits. [Contact us](#) to learn more about D&O Insurance.
Optical Goods Stores and Florists
Chapter 9: Optical Goods Stores and Florists

What do the purveyors of eyeglasses, contacts, and flowers have in common? First, they share a need for Professional Liability Insurance (more on that later). Second, they represent a strong market for insurance agents looking to grow their business.

Why? Because these shop owners are small-business owners who need insurance and might need an agent’s expertise to find it. Take a look at how many of these businesses have fewer than 20 employees:

- **96 percent** of the 19,464 optometrists.
- **95 percent** of the 4,868 optical goods stores.
- **69 percent** of the 14,687 flower shops.

If the statistics from the US Census aren’t convincing enough, the Bureau of Labor Statistics also predicts faster-than-average growth for opticians and optometrists over the next decade. Interested now?

Questions to Ask Optical Goods and Flower Shop Owners

Whether you’re looking to insure a florist or a vision care center, you need to learn as much as you can about their exposures. The following questions can help you gain insight about their business practices and risk exposures:

1. **Do you provide professional advice?** Offering guidance based on specialized knowledge creates an exposure for these retailers.

   - Optometrists provide primary vision care through testing, diagnosis, and correction. They may prescribe medicines or lenses for a variety of eye changes or illnesses. Opticians typically design and fit lenses, frames, and contact lenses. These activities make Professional Liability necessary.
   - Florists suggest the appropriate plants or flowers to use in arrangements or landscaping. Liability exposures range

Only 4% of optometrists and 5% of optical goods stores have more than 20 employees.
from delivering dead flowers to an event to selling poisonous plants without explanation. These risks can be addressed with Professional Liability Insurance (aka Errors and Omissions Insurance).

2. **Do employees ever drive for work?** Driving for business is another important exposure to cover.
   - Cars, vans, and trucks registered in the business’s name require Commercial Auto Insurance.
   - Employees who drive their personal vehicles to run errands (e.g., a trip to the post office) are a different type of exposure and need Hired & Non-Owned Auto Insurance.
   - Commercial Auto / Hired & Non-Owned Auto Insurance can be purchased as standalone policies or added to a Property Insurance policy.

3. **Do you rent your storefront?** Commercial landlords often require a Certificate of Liability Insurance.
   - Review your client’s lease to check their insurance requirements.
   - Check to see if they have additional responsibilities, such as maintenance of parking areas and walkways.

4. **How do you secure your inventory?** Theft is a major concern for retailers of all kinds.
   - Shoplifting causes 30 to 40 percent of all retail losses, according to the Annual Retail Theft Survey conducted by Jack L. Hayes International, Inc., a corporate consulting firm.
   - Shop owners can mitigate their risks by locking up valuable items, installing security cameras, and keeping displays away from exits.
   - Retail is particularly vulnerable to point-of-sale attacks, which is why these business owners should carry Cyber Liability Insurance.

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Those who give professional advice need Professional Liability Insurance.
Tips for Classifying Optical Goods Stores and Florists

Even without looking at the NAICS, it’s pretty easy to tell a flower shop from an eyewear store. However, there are some business practices that might change a shop’s classification. For florists, these include...

- Selling plants or flowers that are grown on the premises.
- Selling plants or flowers through mail order, direct sale, or solely over the Internet.

For optical goods, be on the lookout for...

- Ophthalmologists who do not sell contact lenses or eyeglasses.
- Optometrists in group or private practice.
- Opticians or shopkeepers who sell their products online or through mail order.

Business practices such as these may change a carrier’s appetite, so investigate thoroughly.

Insurance Policies for Optical Goods Stores and Florists

Whether your client retails sunglasses, prescription eyewear, or bouquets, they may need...

- **General Liability Insurance.** Most small businesses that deal with the public need General Liability Insurance to cover lawsuits over third-party bodily injuries, property damage, and more. For example, if a patron trips over a misplaced flowerpot, GL can pay for the ensuing medical bills or legal expenses.

- **Professional Liability Insurance.** Also called E&O Insurance, Professional Liability protects opticians and florists when they are sued over a professional mistake (e.g., a florist recommends tulips for a puppy photo shoot even though the flower is toxic to dogs).

- **Property Insurance / BOP.** Property Insurance pays to replace inventory, store space, and business equipment if it is damaged by fire, theft, vandalism, or
windstorms. Lots of small shop owners make use of a special package called a Business Owner’s Policy (BOP) that bundles Property and General Liability Insurance together at a lower rate.

- **Commercial Auto / Hired & Non-owned Auto Insurance.** Delivery vehicles require Commercial Auto, but if an optician ever sends their employee out on, say, a coffee run, they should have Hired & Non-Owned Auto in their portfolio. It covers cars owned by others when they are used for business. Examples include vehicles owned by employees, subcontracted delivery drivers, and rental agencies, plus the shopkeeper’s personal auto when it’s used in the course of business.

- **Cyber Liability Insurance.** Point-of-sale hacks and denial-of-service attacks are two major issues for retailers. A Cyber Liability policy can pay for credit monitoring, customer notification, investigation costs, and PR strategists to help the shop owner regain their good name after a breach.

Still have some questions? Our reps have plenty of retail insurance experience, so contact us for more information.
Conclusion: A Few Final Words on Retail Insurance

Now that the recession has mostly subsided, retail is back in action. And some kinds of retail, such as tobacco stores, computer shops, and sporting goods stores, weathered the downturn just fine. With signs pointing toward continued growth for retailers, this industry could be a profitable market for your independent insurance agency.

But remember, retail is as diverse as a tropical rainforest. It’s an industry that includes jewelry stores and resale shops, high-end boutiques and corner bodegas. Hopefully, this book has helped you figure out if your retail client would benefit from...

- A BOP, which bundles General Liability and Property Insurance together.
- Inland Marine or Jeweler’s Block Insurance.
- Cyber Liability Insurance.
- Property Insurance that includes Food Spoilage coverage.

To save some time on finding your retail client the appropriate policies, check out what an Insureon Solutions membership can offer. Our immediate appointments with multiple top-rated carriers can streamline the process. Contact us to learn more.

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