Insurance Considerations when Retiring or Selling Your Business

For many business owners, retirement or a business sale marks both an exciting milestone and the end of a lifelong chapter. Whether you're handing the reins to a family member, selling to a long-time employee, or transitioning to an outside buyer, one element is often overlooked until the final stages: insurance. Yet thoughtful risk planning during a transition can protect both the outgoing owner and the new leadership from unexpected financial and legal exposure.

1. Liability Doesn't End the Day You Sell

Many sellers assume their responsibility disappears once ownership transfers. In reality, past operations can still create liability exposures years later.

•Products manufactured before the sale, completed work, or advice previously given can trigger claims after you've stepped away.

•To protect yourself, consider extended liability coverage — often called "tail coverage" or an Extended Reporting Period (ERP) — on policies such as Commercial General Liability (CGL), Professional Liability (E&O), or Directors and Officers insurance.

This ensures you're protected for incidents arising from the time you owned the business, even if the claim occurs after the sale.

2. Assets Changing Hands Means Policies Need to Be Updated

A business transition typically involves buildings, equipment, inventory, and vehicles. It's crucial that:

•The buyer secures their own insurance effective the moment they take ownership.

•The seller removes transferred assets from their policies promptly.

•Any shared use of property during a transition period is disclosed to your broker to avoid unintended gaps.

For gradual family transitions where both generations operate jointly for a period, temporary coverage arrangements — such as adding the successor's business as an "additional insured" — may be appropriate.

3. Staff and Employment Changes Affect Coverage

Business transitions often involve shifts in staffing, whether it's transferring employees to the new ownership or restructuring roles. These changes can impact:

•Liability associated with employment practices, including hiring, termination, or changes in management.

•Commercial auto policies, especially if vehicles or drivers change under the new structure.

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Are You Covered?

4. Review Contracts, Leases, and Partnerships.

Contracts with suppliers, landlords, or service providers frequently contain insurance requirements, indemnity clauses, or minimum limit obligations. A change in ownership often triggers the need to update certificates, renegotiate terms, or notify contractual partners.

5. Don't Forget Personal Insurance

Retiring owners sometimes rely on coverage previously arranged through their corporation — such as commercial auto use, business-owned life insurance, or Directors & Officers protection. As ownership changes, it's important to review personal needs and secure coverage independently where required.

A business transition is a major milestone - and with a thoughtful insurance plan, it can be a smooth and secure one. Working closely with your broker early in the process ensures both you and the new owner start the next chapter with confidence.

A special thank-you to the Pannell family for 36 years of providing our community with trusted information, local stories, and connection through the Marketplace Magazine. As they prepare to close this chapter, we recognize the tremendous legacy they leave behind - one built on dedication, community service, and an unwavering commitment to keeping local voices heard.