



What You Need to Know About Business Insurance

Given the many potential threats to your business's assets, cash flow and human resources, which types of insurance products and how much coverage do you need? Some organizations pay for policies that don't make sense based on their industry or operations. Others have inadequate coverage where risk may be significant. What about your business? It helps to first understand what's available.

The basics

The most basic kind of business insurance is general liability. Essentially, it covers claims for bodily injury to third parties and property damage arising from business operations. For example, general liability typically protects your business if a customer slips and falls in your facility because someone failed to clean up a slippery floor. Or, in a more extreme example, it might cover the fallout if a piece of equipment explodes, injuring customers and employees and damaging the property you rent.

Other coverage related to and often included in general liability policies includes:

Product liability. This type of policy protects businesses against harm or injury caused by product defects. This coverage is especially important if you sell products that could potentially harm people, such as chemicals, electronics and automobiles.

Professional liability or errors and omissions (E&O). Sometimes general liability and E&O can be rolled into a single policy, but you might not need E&O. It generally applies to negligence when providing a professional service, including legal, engineering, consulting, accounting and architectural services.

Property. This is the business equivalent of homeowner's insurance. It protects your organization against the cost of losses from factors beyond your control, such as fires and natural disasters. You might also need auto insurance if your business owns and operates vehicles.

Business interrupted

Even if you have general liability and property coverage, you may also need business interruption insurance. This coverage comes into play when a business must halt operations due to a manmade or natural disaster. So if, for instance, a fire forces you to suspend operations for weeks or months while making repairs to your facility, a business interruption policy could help you pay bills in the meantime.

Your operations might also be disrupted by a cyberattack or data breach. Cyberinsurance can help your business respond to losses related to hacking, ransomware attacks and compromised customer or employee data. Depending on the policy, coverage may include costs associated with business interruptions, data recovery, legal claims and regulatory response.

Key person insurance protects against another type of disaster: The sudden loss of a business partner or executive. If an owner dies unexpectedly, the policy can provide living owners with the cash to buy the deceased owner's shares. Or it could help cover lost profits associated with a key person's death or pay for the costs of replacing the key person.

Employee risks

Employment practices liability insurance (EPLI) is valuable to any business with employees, regardless of industry. Typically, it protects against violations of Civil Rights Act. EPLI coverage areas include employment discrimination, wrongful termination, sexual harassment and emotional distress. If such violations occur in your organization and you fail to take necessary remedial action, an EPLI policy can cover your defense fees and settlement costs.

EPLI may also cover wage and hour violations. These generally relate to a business's failure to comply with the Fair Labor Standards Act, including on minimum wage and overtime rules.

Make informed choices

To make smarter insurance decisions for your business, you'll need to determine which types of coverage fit your risks and how much protection is appropriate for your operations. An independent insurance broker who isn't employed by a specific insurance provider can help you evaluate the options. Make sure your broker is familiar with any insurance requirements in your industry.

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