

# Insuring Your Business: 5 Questions and Answers About Business Insurance

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Fires and car accidents happen; people slip, fall, get sick, and even die. And all of these things can occur in your business. This is why all businesses, whether they are one-person operations or multimillion dollar corporations, need business insurance. Here are answers to five of the most frequently asked questions about business insurance to help you choose the best coverage and policies for you and your enterprise.

## 1. What Is Business Insurance?

The term "business insurance" encompasses all the different types of coverage available to protect business owners from losses. Through business insurance, you can cover your property and business vehicles, insure against legal claims against the business such as liability or workers' compensation, and also provide health insurance for your employees, among other things.

## 2. Why Do I Need Business Insurance?

Even if you don't think your business has enough assets to be sued, or if you believe because your business is incorporated, you're shielded from personal liability through the so-called "corporate veil," you still need business insurance. Why?

Because absolutely anyone can be sued, judgments can be collected through wage garnishments and bank account seizures, and even corporate veils can be pierced under certain circumstances; indeed, the smaller your business is, the more likely that you can be held personally liable for debts through your personal assets.

Your business needs business insurance because of the many risks and potential threats to its successful and continued operation; good, tailored business insurance policies can help protect you and your venture as much as possible.

## 3. What Types of Business Insurance Are Available?

The main types of business insurance you should consider include:

- **Property and Casualty Insurance:** Property insurance covers the physical location of the business (even if it is rented or leased) and its contents from things like fire, theft, flood, and earthquakes—although read the terms carefully to make sure they include everything you need. Casualty insurance, on the other hand, covers the operation of the business, but the two are usually grouped together in policies.
- **Commercial Auto Insurance:** Commercial auto insurance covers your business for loss or damage to vehicles used by your business and for damage to others caused by your business vehicles. Note that vehicles used for business are not covered under your personal auto insurance policy even if a vehicle is used for both business and personal purposes.
- **Liability Insurance:** Liability insurance covers you in the event someone sues you for negligence, which can occur, for instance, if someone falls on your property.
- **Product Liability Insurance:** Product liability insurance covers your business for damages caused by a product designed, supplied, or manufactured by your business.
- **Business Interruption Insurance:** Business interruption insurance can make up for lost cash flow and profits incurred because of an event that has interrupted your normal business operations.
- **Health Insurance:** Health insurance provides health coverage for you and your employees.
- **Life and Disability Insurance:** Life and disability insurance covers your business in the event of the death or disability of key owners, partners, or employees.
- **Workers' Compensation Insurance** If you have employees, you must, by law, participate in workers' compensation programs; workers' compensation insurance covers employees if they are injured on the job.

#### **4. Can I Get a Policy that Combines Different Types of Insurance?**

Yes. A business owner's policy (BOP), often appropriate for small to medium-sized businesses, usually includes property, casualty, liability, and business interruption coverage; you're likely to pay less expensive premiums with a package deal instead of buying the policies separately.

Other choices are the home office policy, which combines homeowner's and business insurance, and a "business pursuits" endorsement to your homeowner's policy, which provides the least protection.

#### **5. How Do I Buy Business Insurance?**

In order to buy business insurance, you will go through an insurance professional, either a broker (usually for larger companies) or an agent—and you should choose carefully. Recommendations from your local chamber of commerce or other businesspeople you trust should certainly be welcome.

The best way for you to prepare to make an informed decision about choosing an insurance professional is to know exactly what your business does (and doesn't do) as well as its future direction; then find out a bit about the types of coverage you think might be helpful in your line of work before going and talking to your insurance professional.

Choose an insurance professional who is licensed and doesn't have a record of ethical or administrative discipline procedures, and make sure he or she understands your type of business and the risks it incurs. Then be ready to have an open and forthcoming dialogue about what you want insurance to cover.