



Business Insurance

Running a small business involves a significant investment. Business insurance protects your investment by minimizing financial risks associated with unexpected events such as a death of a partner, an injured employee, a lawsuit, or a natural disaster. Unless you are an employer, business insurance is generally not required by law, however, it is common practice to purchase enough insurance to cover your assets. If your business is an LLC or a corporation, your personal assets are protected from business liabilities; however, neither business structure is a substitute for **liability insurance**, which covers your business from losses.

Your state government determines insurance requirements for businesses. Most states require businesses with employees to pay for workers' compensation insurance, unemployment insurance, and state disability insurance. Your state may require insurance of specific business activities. For example, if you own a car or truck and use it for business purposes, you may be required to purchase commercial auto insurance. Finally, your financial lender or investors may require you to maintain life, business interruption, fire, flood or other types of insurance to protect their investments.

Types of Business Insurance

Insurance coverage is available for every conceivable risk your business might face. Cost and amount of coverage of policies vary among insurers. You should discuss your specific business risks and the types of insurance available with your insurance agent or broker. Your agency can advise you on the exact types of insurance you should consider purchasing.

General Liability Insurance

Business owners purchase general liability insurance to cover legal hassles due to accident, injuries and claims of negligence. These policies protect against payments as the result of bodily injury, property damage, medical expenses, libel, slander, the cost of defending lawsuits, and settlement bonds or judgments required during an appeal procedure.

Product Liability Insurance

Companies that manufacture, wholesale, distribute, and retail a product may be liable for its safety. Product liability insurance protects against financial loss as a result of a defect product that causes injury or bodily harm. The amount of insurance you should purchase depends on the products you sell or manufacture. A clothing store would have far less risk than a small appliance store, for example.

Professional Liability Insurance

Business owners providing services should consider having professional liability insurance (also known as **errors and omissions insurance**). This type of liability coverage protects your business against malpractice, errors, and negligence in provision of services to your customers. Depending on your profession, you may be

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required by your state government to carry such a policy. For example, physicians are required to purchase malpractice insurance as a condition of practicing in certain states.

Commercial Property Insurance

Property insurance covers everything related to the loss and damage of company property due to a wide-variety of events such as fire, smoke, wind and hail storms, civil disobedience and vandalism. The definition of "property" is broad, and includes lost income, business interruption, buildings, computers, company papers and money.

Property insurance policies come in two basic forms: (1) **all-risk policies** covering a wide-range of incidents and perils except those noted in the policy; (2) **peril-specific policies** that cover losses from only those perils listed in the policy. Examples of peril-specific policies include fire, flood, crime and **business interruption insurance**. All-risk policies generally cover risks faced by the average small business, while peril-specific policies are usually purchased when there is high risk of peril in a certain area. Consult your insurance agent or broker about the type of business property insurance best suited for your small business.

Home-Based Business Insurance

Contrary to popular belief, homeowners' insurance policies do not generally cover home-based business losses. Depending on risks to your business, you may add riders to your homeowners' policy to cover normal business risks such as property damage. However, homeowners' policies only go so far in covering home-based businesses and you may need to purchase additional policies to cover other risks, such as general and professional liability.