



Medium Sized Business Insurance Basics

The distinction between a small and large business is somewhat arbitrary. At what point in the business growth life cycle do you cross over? One way to answer the question is when your business no longer qualifies for a Business Owners Package Policy. The BOP bundles up several kinds of insurance protection in one policy. But as business become larger the risks they pose become more varied and difficult to address in one policy.

Medium sized businesses can still purchase bundled coverage, like the Commercial Package Policy (CPP), which is roughly analogous to the Business Owners Policy (BOP). The CPP combines Commercial Liability and Commercial Property and some additional policies designed for specific industries like churches, heavy manufacturing or health care providers. Additional policies found in some Commercial Package Policies include Commercial Auto, Boiler and Machinery and Inland Marine. Again, the CPP is usually designed to fit most businesses within a specific industry. But if your business faces special risks or doesn't fit neatly within a generic industry definition, a CPP may not give you the necessary flexibility to address unique needs.

An alternative is to start with the foundation policies, Commercial General Liability (CGL) and Commercial Property. These policies can be obtained through different insurance carriers and modified separately to meet the needs of many complex businesses.

Commercial Property will provide coverage for any building you own or lease, including improvements and permanent fixtures and equipment, business property on premises and personal property of others in your 'care, custody or control'. Depending on your business you may need to add coverage for goods in transit, buildings under construction, business income (interruption expense), data loss, loss due to flood, employee theft and embezzlement among others.

Just to add to the variety, Commercial Property insurance comes in three forms: Basic Form, Broad Form and Special Form. The first, Basic, provides protection against loss from the more common causes like fire, lightning and wind storm. The Broad Form extends protection to additional perils like water damage and structural collapse. The Special Form protects against all perils unless specifically excluded. Some commonly excluded perils include flood, earthquake, terrorism, wear and tear and insects and vermin.

Commercial General Liability provides an insured business protection for lawsuits, bodily injury or property damage arising chiefly from these areas: ownership or use of a business premises, business operations, contractual agreements, completed operations, personal and advertising injury and products made, sold or distributed.

The policy provides Medical Payments coverage for those injured on a business premises or job site on a no-fault basis. Policies can be issued on either a Claims Made Form or an Occurrence Form.

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CGL policies are broad in nature but generally have some coverage removed by endorsement. Some additional coverage your business may need to supplement CGL protection includes Errors and Omissions Insurance (E&O), Directors and Officers Insurance (D&O), Workers Compensation and Environmental Liability.

Because of the complexity of risk medium sized and larger businesses are faced with, it is often best to sit down with an insurance professional. An independent insurance agent is armed with options from several companies and can help you understand and develop the kind of program you need for your business.

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