



Types of Insurance Small Businesses Need

By Caron Beesley

Protecting your business assets and investments against loss or disaster

Protecting your business investment with insurance is a critical part of small business ownership. It minimizes the risks associated with unexpected events, liabilities and losses. However, as with all insurance markets, knowing and finding the best insurance for your needs is not an easy task.

Whether you are starting a business, taking on employees for the first time, or evolving your business structure, there are many variables that determine the right insurance for your small business, including your business structure, business activities, location, whether or not you hire employees, and so on.

Most of the information published in the public domain comes directly from those with the greatest amount of vested interest — the insurance companies and their agents. So it's no surprise that navigating the maze of small business insurance laws and best practices can be confusing. There are two fundamental types of insurance — commercial business insurance, which is not necessarily required by law, and employer insurance, which is. Below is a summary of the types of insurance you may wish to consider to protect your assets and investments, as well as the insurance requirements you must comply with as an employer.

1. Types of Commercial Business Insurance

This section covers the types of insurance policies available to you as a small business owner. Although not necessarily required by law, you would be wise to purchase enough business insurance to protect your assets against events such as the death of a partner, a natural disaster or a lawsuit. And it's a misconception to think that structuring your business as a corporation or LLC limits the need for business insurance. While these business structures do protect the personal assets of the owner from business liabilities, relying on business structure alone to protect your assets is not a substitute for liability insurance, which covers your business from losses.

It's also important to know that, in certain instances, state law may require that your particular business activity is covered by some form of insurance. For example, if you use a car or truck for business purposes, your state may require that you purchase commercial auto insurance for its use.

Here is a summary of the kinds of business insurance policies to consider for your small business:

- **General Liability Insurance**

Business owners purchase general liability insurance to cover legal hassles due to accident, injuries and claims of negligence. These policies protect you 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 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 a high risk of peril in a certain area.

- **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.

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.

2. Insurance Requirements for Employers

If your small business hires employees, you are required by state law to pay for certain types of insurance. Here is a breakdown of the three key employee insurance requirements:

- **Workers Compensation Insurance**
Businesses with employees are required to carry Workers' Compensation Insurance coverage through a commercial carrier, on a self-insured basis, or through the state Workers' Compensation Insurance program.
- **Unemployment Insurance Tax**
If you have employees, you are required to pay unemployment insurance taxes as determined by your state. First, you'll need to register your business with your state's workforce agency. The State Taxes page on IRS.gov includes links to connect you with your state's agency.
- **Disability Insurance**
In the U.S., it is mandatory to purchase disability insurance only if your business is in one of six locations - California, Hawaii, New Jersey, New York, Puerto Rico or Rhode Island. If your business is located elsewhere, the law does not require you to purchase disability insurance for your employees, however it can be purchased through commercial insurance companies and provided as part of an employee benefits package.



© Copyright, Caron Beesley

About the Author

Caron Beesley is the founding partner of April Marketing, a writer, and marketing communications consultant.

Caron works with the USA SBA.gov team to promote essential US government resources that help entrepreneurs and small business owners to start-up, to grow and to succeed. She has been in the marketing business for 15 years, starting her career as an assistant with a London graphic studio.

Caron progressed to hold senior marketing roles with several global and US-based corporations with a particular emphasis on information technology and Internet services marketing.

Read Caron's blog - April Marketing Musings at: <http://april-marketing.blogspot.com/> for insightful strategic and tactical business marketing tips.

Co-ordinates

Email: info@april-marketing.com

Web: www.april-marketing.com

LinkedIn:

www.linkedin.com/in/caronbeesley



Important Notice

© Copyright 2015, Bizezia Limited, All Rights Reserved

This article appeared in Better Business Focus, published by Bizezia Limited ("the publisher"). It is protected by copyright law and reproduction in whole or in part without the publisher's written permission is strictly prohibited. The publisher may be contacted at info@bizezia.com (+44 (0)1444 884220).

The article is published without responsibility by the publisher or any contributing author for any loss howsoever occurring as a consequence of any action which you take, or action which you choose not to take, as a result of this article or any view expressed herein.

Whilst it is believed that the information contained in this publication is correct at the time of publication, it is not a substitute for obtaining specific professional advice and no representation or warranty, expressed or implied, is made as to its accuracy or completeness. Any hyperlinks in the article were correct at the time this article was published but may have changed since then. Likewise, later technology may supersede any which are specified in the article.

The information is relevant primarily within the United Kingdom but may have application in other locations.

These disclaimers and exclusions are governed by and construed in accordance with English Law.

Publication issued on 1 October 2014