

# Business Owners Insurance Policies Provide Essential Financial Protection

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**NEW YORK, July 7, 2011** – If you own or manage a small- to medium-sized business and are looking for insurance, you may be confused about what you do and don't need to cover. The Insurance Information Institute's (I.I.I.) just released video *Insurance for the Small-To Medium-Sized Business Owner*, helps businesses wade through the complex decision process when selecting appropriate coverage.

The four-minute video, which is also featured on YouTube, provides an overview of the different insurance coverages available and what business owners need to consider when purchasing coverage.

**There are over 27 million businesses in the United States** – ranging from construction firms to grocery stores to home-based businesses – and all of these enterprises have one thing in common: Without the right insurance coverage, each could be wiped out by a disaster or a lawsuit.

“Starting a business is never easy, but it is even more difficult in today's economic environment,” said Loretta Worters, vice president, I.I.I. “Business owners shouldn't look to skimp on their coverage to save a few bucks – as tempting as it seems. Entrepreneurs need to assess the overall risks facing their particular business and then make the appropriate insurance decisions based on those risks,” she explained.

Larger companies often purchase a commercial package policy or customize their policies to meet the special risks they face. Small- and mid-sized businesses typically purchase a Business Owners Policy, also known as a BOP, which combines several types of insurance coverages together so you can buy a package of protection at a competitive price.

Only small- to medium-sized businesses that meet certain criteria are eligible for a BOP. Factors insurers consider include the number of employees and size of the business (typically fewer than 100 employees and less than \$5 million in gross annual sales) the required limits of liability, the type of business and the extent of offsite activity. Premiums for BOP policies are based on those factors plus business location, financial stability, building construction, security features and fire hazards.

Many insurers also can provide customized BOPs to meet insurance needs specific to a unique type of business.

Keep in mind that a BOP doesn't always meet a business's insurance needs and can leave some risks and exposures uninsured or insured inadequately. To decide if a BOP is right for your company, you need to know what the policy does and doesn't cover.

## **A Business Owners Policy (BOP) includes:**

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### **1. Property Insurance**

Property insurance compensates a business if the property used in the business is lost or damaged as the result of various types of common perils such as fire or theft. Property insurance covers not just a building or structure but also what insurers refer to as personal property, meaning office furnishings, inventory, raw materials, machinery, computers and other items vital to a business's operations. Depending on the type of BOP policy, there may be coverage for equipment breakdown, removal of debris after a fire or other destructive event, as well as some types of water damage and other losses.

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### **2. Business income (BI) INSURANCE**

Also referred to as Business Interruption Insurance, BI compensates a business owner for income lost following a disaster. Disasters typically disrupt operations and may force a business to vacate its premises. BI also covers the extra expense that may be incurred if a business must operate out of a temporary location. BI will cover your loss of net income and continuation of normal operating expenses, including payroll, typically for up to 12 months as a result of an insured peril. This type of coverage is not sold as a stand-alone policy, but can be added on to the business's property insurance. Some insurers may automatically include it in the policy, so check with your insurer.

### **3. business Liability Insurance**

Business Liability insurance protects your small- to medium-sized business in the event of a lawsuit for personal injury or property damages. It will usually cover the damages from a lawsuit along with the legal costs. Liability insurance also protects you from claims such as libel, slander and false advertising – even if those claims are meritless. It pays for damages up to the policy limits as well as attorney's fees and other legal defense expenses. It also pays the medical bills of any people injured by, or on the premises of, the business.

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Business Liability insurance applies to those losses that involve actual bodily injury, death or damage to physical property. These losses usually stem from either premises you own, rent or occupy, or a product or service you offer for sale to the public. There is no coverage provided under liability insurance for economic damages that arise out of your performing or failure to perform professional services.

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The video also discusses other important business coverages such as professional liability, identity theft and workers compensation insurance.

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The focus of the video, however, is on the BOP because it is one of the most important considerations for a small- to medium-sized business whether they are a start-up or have been established for several years, according to the I.I.I., which wrote and produced the video in consultation with Russell Productions. Â Â Â

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To help determine the right type and amount of coverage, the I.I.I. recommends that a business owner have an accurate inventory of all of the contents in their office and their replacement value. Â I.I.I.'s Know Your Stuff software, can help.

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– Work closely with your insurance agent if there are any major changes in your business such as new hires, purchases, or expansion. These can affect your policy, said Worters. – Understanding the risks

that your business may be exposed to and the insurance coverages needed will insure that your business has the best protection possible.â€•

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