

5 Insurance Policies Your Small Business Needs

Purchasing insurance for your small business is not the most exciting part of being an entrepreneur. Putting the right policies in place is critical for your company's long-term success, though, and pairing with the right insurance advisor can make the process quick and painless.

There are countless types of small businesses out there, which means your business may need one or more industry-specific policies that are not covered in this post. The chances are high you will need some, if not all, of the five policies outlined below, however.

1. General Liability Insurance

Almost all small business owners need this policy, which covers many expenses related to common covered losses. These losses include a customer's injury on your company's property, destruction of a customer's property due to the actions of an employee of yours, and defamation of another business or entity. If the injured party files a lawsuit against your business, general liability insurance will typically pay for attorney's fees and the settlement amount (judgment amount, if the dispute does not settle out of court).

2. Business Interruption Insurance

A covered loss that results in physical damage to a business location, its products, or any important assets often triggers a claim for a business interruption policy. Losses that result in such claims often result from extreme weather events such as a hurricane, wildfire, or straight-line winds. Damage from earthquakes and floods are usually excluded from business interruption insurance policies.

As its name implies, this policy steps in to help business owners when their ability to conduct normal business operations is interrupted. It usually pays for lost income, expenses related to finding a temporary business location, wages, tax liabilities, and various loans.

3. Business Owner's Policy (BOP) Insurance

First off, a clarification: business owner's policy insurance is NOT a specific policy. Instead, it refers to a bundle of specific policies that many business owners typically need. Two policies included in most BOP insurance bundles are general liability and business interruption insurance. Another policy, **commercial property insurance**, rounds out the three-part bundle of most BOPs.

Businesses with physical locations almost always need commercial property insurance, which pays out after the property and its contents are damaged in a covered loss. Owners might need to replace furniture, outdoor signs, and equipment.

4. Workers' Compensation Insurance

A workers' comp insurance policy covers expenses occurring after an employee is injured or contracts an illness while on the job. These expenses usually include lost wages, medical bills, and, sometimes, vocational rehabilitation. Almost all businesses are required to carry workers' compensation policies; exemptions vary across states. For instance, companies registered in Alabama and West Virginia are not required to carry this policy unless the business employs five or more people. On the other hand, Ohio and Kansas companies enjoy no exemptions.

For the most part, however, businesses are not required to have workers' comp policies on independent contractors or casual employees. Casual employees describe workers who do not have regular schedules with an employer. Be aware that not carrying workers' comp when required is a crime in some states, such as California.

5. Cyber Insurance

If your small business stores personally identifiable information concerning your employees, customers, or anyone else affiliated with your enterprise, a cyber insurance policy is a must. This policy covers a wide range of expenses related to data breaches and other cyber attacks. Such expenses often include legal fees, fines imposed by regulatory bodies, ransomware payments, efforts to notify those affected by the cyber incident, and lost revenue.

Protect Your Business, Secure Your Future

The right insurance policies for your business will protect your investment and all those hours of sweat equity. Insurance is one expense you should never forego—while you work hard to ensure your business remains profitable for years to come, you can rest assured that it won't fall victim to this unpredictable world. Connect with your insurance advisor today for peace of mind.