

## Trusted Choice Business Insurance FAQ

### What Is Business Insurance and Why Do I Need It?

Business insurance is a category of insurance policies that specifically protects a company, large or small, from financial loss. Business insurance can include everything from liability and property insurance to business interruption and cybercrime insurance. The business insurance protection that you need is as individual as your company is.

The type of coverage you should purchase and the amount of risk your policies should insure are determined by several factors: the size of your company, the number of people you employ, the type of business you're in, and the value of your property and assets.

To fully cover all your financial risks, you may need to purchase several individual policies from different insurers. Your local Trusted Choice® Independent Insurance Agent works with a variety of insurance carriers and can help you put together an insurance program tailored to your needs.

### What Does Business Insurance Cover?

Business insurance usually includes the basic types of coverage listed below. These policies will ensure the continuation of your business in the event of an expensive lawsuit, natural disaster, fire or theft. Without insurance, a major setback might spell the end of your business.

- **General liability insurance** is designed to protect you and your business from many of the risks involved in running a business. These include claims for bodily injury and property damage on your premises, injury or damage from faulty products, and negligent actions from contractors you hire.
- **Property insurance** protects against the financial loss and damage to your business property from fires, storms, theft, vandalism and other named causes.
- **Commercial vehicle insurance** is coverage for your business's vehicles and drivers for collision, liability, property damage, personal injury and damage to your vehicle.
- **Business income** will provide your usual operating expenses if a natural disaster, fire or other event specified in the policy causes your business operation to be interrupted.

Other coverage you may need:

- **Product liability** is designed specifically to cover your liability from faulty products that may cause damage, illness, injury or death.

- **Professional liability** provides protection against the financial impact of negligent professional duty, wrongful acts, advice and services that lead to another's loss or injury.
- **Errors and omissions** is a type of professional liability insurance that covers a loss or injury suffered as a result of your failure to deliver on promised services.
- **Workers compensation** covers employees who are injured or become ill on the job, and it's required by law in most states.
- **Key person** is a form of life insurance that pays a death or disability benefit if the owner or a key person in the company suddenly dies or is incapacitated.
- **Cybercrime** covers risks to your business from a data breach or other internet-related crimes.

### Which Business Insurance Policies Are Essential?

Operating a business creates many financial risks. While you can't eliminate every one, you can protect your business through insurance. At the very least, make sure you have these essential types of coverage:

- **Commercial general liability** to protect against accidents, injuries and negligence claims.
- **Commercial property** to protect against the financial impact of property damage caused by a fire, storm, theft or other event named in the policy.
- **Business income** to protect your firm if business is interrupted.
- **Commercial auto** if you drive a car or truck for business.
- **Professional liability** is the type of coverage needed by an engineer, attorney, architect or other professional. **Medical malpractice** is the professional insurance a doctor needs.
- **Workers' compensation** if you have employees.

If you're starting your own business, it may not occur to you how important it is to buy business insurance. But going without insurance can leave you open to costly lawsuits, expensive repairs or possibly even closure. Talk to your Trust Choice agent about getting the coverage you need.

### How Do I Buy Business Insurance?

The business insurance policy is a contract in which you agree to pay premiums to the insurance company, and that insurer agrees to reimburse your business for the financial loss caused by specific “perils” or risks that are named in the policy.

When your business incurs a financial loss because of a named peril, you file a claim with the insurance company — similar to making a claim on your personal auto or homeowners policy. You may be assigned an adjuster who assesses the damage and processes the claim.

If a claim is made against you by an injured party, such as a customer, your liability coverage is what protects you financially. If your company is named in a lawsuit, your liability policy will cover your legal expenses. Your insurance policy will specify the limits (maximum reimbursement) that you have selected for your liability coverage.

Your Trusted Choice agent can explain how business insurance works, the claims process and how you receive payment when a claim is approved.

### **What’s a Fair Price for Business Insurance?**

It’s reassuring to know that a Trust Choice agent is independent, meaning they can shop and compare policies sold by many different carriers to find the best coverage for competitive premiums. Keep in mind that protection and price will vary based on a number of risk factors, and no two businesses’ needs are the same.

Among the variables that can cause premiums to go up or down:

- Location
- Size
- Type of business and risk exposure
- Property and assets
- Financial condition of your business
- Previous claims or lawsuits

As you can imagine, a sole proprietor working out of her home to sew garments will pay a lot less than a construction contractor building an apartment building.

You can save money by combining various types of business insurance into one policy. These bundled policies are known as business owners policies (BOPs) and commercial package policies (CPPs).

### **What’s the Difference between a BOP and a CPP? Which Does My Business Need?**

A **business owners policy** (BOP) combines the property and liability protections most small businesses need into one convenient package, and the price is less than what you'd pay for the coverages separately.

However, a BOP may not provide all the coverage you need. You'll find more options with a **commercial package policy** (CPP). CPPs bundle business insurance like BOPs, but they let you pick which types of coverage to include in your package.

As a rule, BOPs don't cover professional liability, commercial auto, workers' compensation, or health and disability insurance, although some insurers will allow you to buy more coverage by adding what are called "endorsements" to your policy.

CPPs include property and liability coverage, but you can add many other types of insurance, including commercial auto, business income, employment practices liability, inland marine, cybercrime and professional liability. And some CPPs are specifically designed for different industries or professions.

Your Trusted Choice independent agent can explain the difference between these policies and tailor a BOP or CPP to meet your needs.

### **Is Business Insurance Required?**

Certain types of business insurance are required by law in many states. Here are a few of the coverages you may have to purchase:

- **Workers' compensation** is required in most states if you have employees. Even if you run a family business, you'll still be required to purchase workers' compensation for the members of your family who work there.
- **Unemployment insurance** must be paid by many businesses that have employees. Check with your state to see if you have to pay an unemployment insurance tax, or ask your Trusted Choice agent.
- **Professional liability insurance** is required by some states. Your Trusted Choice agent can tell you if your state requires it for your profession.
- **Disability insurance** covers employees who may be injured or become sick, and some states require employers to purchase it. Your Trusted Choice agent will know what you need.

### **Is Business Insurance Tax-Deductible?**

According to the [IRS](#), “you can deduct the ordinary and necessary cost of insurance as a business expense, if it is for your trade, business or profession.” You should consult a tax professional if you have questions, or you can refer to [IRS Publication 535](#), “Business Expenses.”

### **Does Business Insurance Pay for Lawsuits?**

You may be surprised to learn that during the average year [36% to 53% of small businesses](#) and nearly [90% of U.S. corporations](#) are involved in some type of litigation or legal dispute. Even small, home-based businesses run the risk of being sued. **Commercial general liability** (CGL) is the insurance you need to protect against lawsuits.

CGL covers injuries or damages caused by your company, including products and services you sell. For example, if a customer is hurt on your property, an employee damages someone’s home or you are sued for false advertising, CGL pays for your legal defense and damages up to the limits (maximum payout) specified in your policy.

If your business could encounter an extreme circumstance such as a lawsuit that exceeds \$1 million in damages, you should consider purchasing a **commercial umbrella liability** policy.

Bear in mind that the commercial umbrella may exclude some liabilities — for example, if an injury or damage caused intentionally or was expected. Some policies also have a “workmanship” exclusion, and some won’t cover punitive damages.

There are many types of liability, and CGL doesn’t cover them all. Your Trusted Choice agent is a trained professional who can assess your business and your protection needs and explain your insurance picture to you. Here are other types of specialized policies that your Trusted Choice agent can help you obtain, if appropriate:

- Professional liability, errors and omissions, and malpractice
- Directors and officers liability
- Product liability
- Premises or property liability
- Employers liability
- Employment practices liability
- Environmental and pollution liability

### **Does My Small Business Really Need Cybercrime Insurance?**

These days, nearly every business is online, and that makes your company — no matter how large or small — vulnerable to cybercrime and data breaches. If your computer networks aren’t secure, criminals may hack into your system. They can steal valuable financial and personal data, and even shut down your operation.

**Cybercrime insurance** protects against electronic theft, loss of data, disruption of your networks, loss of income due to suspension of your operations and damage to your reputation.

Ask your Trusted Choice agent if you can add cybercrime insurance to your business owners or commercial package policy. Most cyber policies also cover customer notification of a data breach, anti-fraud protection and credit monitoring for customers, security incident investigations, cyber extortion and ransomware costs.

### **Do I Need Employment Practices Liability Insurance (EPLI)?**

Unfortunately, employee lawsuits have exploded over the last few years, with defense costs amounting to as much as [\\$300,000 per case](#). Employment practices liability insurance (EPLI) was created to protect your business from these legal expenses, subject to the limits (maximum reimbursement) stated in your policy.

EPLI covers employment-related risks such as wrongful termination, discrimination, sexual harassment, retaliation, defamation and libel, breach of contract and mismanagement of employee benefits.

You may be able to add this coverage to a business owners policy or a commercial package policy.

### **Does Business Insurance Cover Employee Theft?**

Employee theft coverage can often be added as an endorsement to a business insurance policy or purchased as a stand-alone **commercial crime insurance policy**. These policies cover employee embezzlement and theft, including forgery, counterfeiting and wire fraud.

There are also bonds you can purchase to protect against various types of theft:

- **Standard fidelity bonds** protect against employee dishonesty.
- **Business service or third-party fidelity bonds** protect you if one of your employees is on a customer's property and steals from them.
- **ERISA bonds** protect retirement plans from misappropriation of funds.

Your Trusted Choice independent agent can help you determine how to get the coverages you need — and explain the differences between insurance policies and bonds.

### **Does My Business Need Flood Insurance?**

Property insurance policies do not cover the financial losses caused by flooding, so if your business is in a flood zone, you'll need to purchase a separate **flood policy**. However, your property insurance or business owners policy may pay for some types of water damage — for example, from a burst pipe or wind-driven rain.

Water damage can seriously disrupt your business, so talk to your Trusted Choice agent about protecting your property. In addition to flood insurance, ask about adding an endorsement or rider to cover your plumbing and sewer lines.

### **What Is Business Income Insurance?**

**Business income** or **business interruption** insurance covers loss of income resulting from a fire, natural disaster or other event that forces your business to close temporarily. Loss of income includes the time it takes to rebuild your business.

These policies are designed to restore your business to same financial position it would have been in if your operations had not been interrupted. Payment is based on your income and expense records, and claims are limited to defined events in the policy.

Some business owners policies (BOPs) include this coverage, or you can add it as an endorsement.

### **Since the Pandemic, I've Worked from Home. Do I Need to Change My Coverage?**

Homeowners policies usually will cover business property, but only a small amount (less than \$2,500). If the pandemic has caused you to relocate expensive equipment from your business premises to your home, it's likely that you need more financial protection at home than your homeowners policy will provide. Your Trusted Choice agent can tell you about your policy limits and whether you need a home business endorsement.

If you've relocated your entire business to your home — and especially if customers now visit you at home — your business insurance may need to be amended. Your independent agent can help you do this.

### **Why Should I Choose a Trusted Choice Agent for Business Insurance?**

Many insurance agents are not independent. They are employed by one insurance carrier and can sell only the products that one company offers. The best business policy combination for your unique needs may not be available — but how will you know that?

On the other hand, a Trusted Choice Independent Insurance Agent works for you, not for a carrier. Each Trusted Choice agency establishes relationships with multiple insurance carriers, so

your agent can comparison shop for you to find the most appropriate combination of coverages for you at competitive prices. And your Trust Choice agent will check in with you regularly to evaluate your changing coverage needs, making sure you're properly protected and are not overpaying or buying coverages you don't need.

As a business owner, you don't have time for liability worries. You need a trained insurance professional who understands your complete liability picture and the regulations and risks inherent to your locale. You can rely on your Trusted Choice agent as a trustworthy financial partner because they are successful when you are successful. Find a Trusted Choice [independent agent](#) to help you — so you can attend to the business of being in business.