# BUSINESS INSURANCE BASICS

The main kinds of business insurance, when you need each, and how to buy coverage without overpaying.

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AT A GLANCE

- Insurance protects your business from costs that could otherwise close it: injuries, lawsuits, damage and theft.
- Most small businesses start with **general liability**. Others depend on your work: **property, workers' compensation, professional liability, commercial auto** and more.
- Landlords, customers and lenders often **require** certain coverage.

WATCH OUT

General information only. Requirements and options differ by state and industry. Talk to a licensed insurance agent or broker.

## Why it matters

One accident, like a customer slipping in your shop or a mistake that costs a client money, can cost more than a small business makes in a year. Insurance turns a business-ending event into a manageable one. It's also often required before you can sign a lease, land a contract or get a loan.

## Common types

| Insurance | What it covers | Who usually needs it |
|---|---|---|
| General liability | Injuries to others and damage to their property, from your business | Almost every business |
| Commercial property | Your equipment, inventory and space | Businesses with physical stuff or a location |
| Business owner's policy (BOP) | General liability and property bundled, often cheaper | Many small businesses |
| Workers' compensation | Employee injuries at work | Required in most states once you have employees |
| Professional liability (errors and omissions) | Mistakes in your professional advice or services | Consultants, designers, accountants, tech services |
| Commercial auto | Vehicles used for business | Delivery, trades, mobile services |
| Cyber liability | Data breaches and cyberattacks | Businesses storing customer data or payments |
| Product liability | Injuries caused by products you make or sell | Food, cosmetics, manufactured goods |
| Business interruption | Lost income after a covered disaster | Location-dependent businesses |

> KEY POINT
>
> Your **personal car and home insurance usually don't cover business use**. If you drive for work or run the business from home, ask about business coverage.

## Step by step

1. **List your risks.** Customers on site? Employees? Vehicles? Advice? Products? Data?
2. **Check requirements** in your lease, contracts and state law.
3. **Talk to an independent agent or broker** who can compare several insurers.
4. **Get at least two quotes.**
5. **Read what's excluded,** not just what's covered.
6. **Review coverage every year** and whenever you add employees, locations or services.

> EXAMPLE
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> **Malik** detailed cars at customers' homes. His agent recommended general liability, commercial auto for his van, and coverage for damage to customers' cars while in his care. His personal auto policy wouldn't have covered his van during work.

## Common mistakes

- **Going without insurance to save money.**
- **Assuming personal policies cover business use.**
- **Buying the cheapest policy without reading exclusions.**
- **Forgetting workers' compensation** when you hire.

## Your checklist

- ☐ List your business's main risks
- ☐ Check lease, contract and state requirements
- ☐ Get quotes from an independent agent
- ☐ Read exclusions before you buy
- ☐ Review coverage every year

## Key words, explained

| Word | What it means |
|---|---|
| Premium | What you pay for insurance. |
| Deductible | What you pay before insurance starts covering a claim. |
| Exclusion | Something a policy doesn't cover. |
| Certificate of insurance | A document proving you have coverage, often requested by landlords and clients. |

## Where to go next

- **B-13 Renting Your First Space: Leases Explained (Main Street)**
- **O-01 Your First Hire: When and How**
- **B-15 Business Setup Checklist**

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