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Protect your business: 7 types of insurance coverage

By [Jeff Wuorio](#)

Starting a business is all about possibilities, optimism and promise. But it should also be a time for ensuring protection and security. And that makes a comprehensive package of insurance essential for small businesses.

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The first thing you need to do is to turn off your spigot of unbridled hope for the moment and instead pinpoint just what might go wrong. While that may seem a bit macabre, it's an essential step in identifying those sorts of insurance risks that you'll ultimately have to tackle.

"I call it pre-Pearl Harbor risk assessment," says Steve Harper, a professor of management at the University of North Carolina at Wilmington. "If, for instance, you run a floral shop, look at every facet of risk — lawsuits from people slipping on water, auto safety, people using sharp objects to cut flowers."

Don't limit your risk assessment to what you see yourself. Harper encourages entrepreneurs to have at least two insurance agents conduct their own risk analysis of your business (it's free, so don't be gun-shy about getting two or more analyses). Try to hook up with insurance professionals who have worked with your type of business and are experienced in identifying what you need to insure and how much coverage is prudent. Additionally, check with your local town hall or state insurance office, as some communities and states mandate particular forms of insurance coverage.



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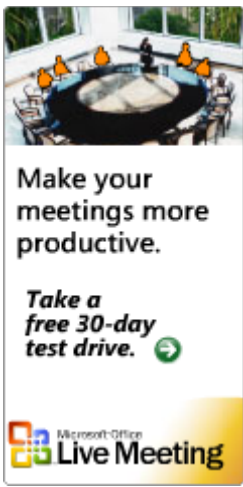
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Although insurance needs vary widely from one business to the next, here's a quick checklist of policies you'll want to consider.

1. **Business owner coverage.** Otherwise known as "catch-all" coverage, business owner insurance provides damage protection from fire and other mishaps. Owner coverage also offers a degree of liability protection.
2. **Property insurance.** This can augment the property coverage offered by business owner insurance. Property insurance covers damage to the building that houses your business, as well to as



items inside, such as furniture and inventory.

3. **Liability insurance.** In our litigation-looped society, this may be as important a form of coverage as you can get. This covers damage to property or injuries suffered by someone else for which you are held responsible. This can take in a range of disasters, from the postal worker who sues you for a dog bite incurred during a delivery to your home business, to the clumsy customer who scorches himself after you make your complimentary coffee just too darn hot.
4. **Product liability insurance.** You might want this form of coverage if you make a product that could conceivably harm someone else. For instance, catering businesses worried about some dicey-looking truffles or Brie would do well to tack on this coverage.
5. **Errors and omissions insurance.** This coverage is particularly important to service-based businesses, offering protection should you make a mistake or neglect to do something that causes a customer or client some harm. A good example is doctor's medical malpractice insurance, which practicing physicians are required to carry.
6. **Business income insurance.** This is disability coverage for your business. This ensures you get paid if you lose income as a result of damage that temporarily shuts down or limits your business.
7. **Automobile insurance.** This last item should come as no great surprise. If your business uses cars or trucks in some manner, you have to have this type of insurance for collision and liability coverage.

The list might look hefty. But remember the big rule: Never, ever settle for insurance you know to be inadequate, such as \$300,000 in property insurance for a shop worth well more than half a million dollars. Unfortunately, insufficient coverage is often the rule for beginning businesses. Not only can some owners have a hard time imagining the worst happening, hefty insurance premiums are often at the bottom of entrepreneurs' preferred expenditures list: "That's because so many businesses are undercapitalized, think they can get away with lesser coverage," Harper says.

However, there are ways to mitigate crippling insurance costs. Start by checking with appropriate trade associations or professional groups, as many offer cut-rate insurance as part of a membership package. Also, consider upping the size of your policy deductibles. Although that means paying more out of pocket if something goes wrong, higher deductibles can lower your premiums.

Finally, don't overlook outsourcing certain elements of your business to cut insurance costs. For example, not every florist on the block needs to maintain a fleet of delivery vans. Although that means having to pay someone else to truck your roses around town, it does erase the expense of auto insurance, not to mention some of the liability if there's an accident.



Jeff Wuorio

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