This column last week spurred another question by a CEO that emailed me this question. “Dean, now I know what an ACORD certificate is. But, this got me thinking about what are the basic insurances that my small business should consider to have?” Here is my suggestion in answer to this good question.

When you’re starting a small business—or running a growing one—there are so many expenses competing for your limited dollars that it’s easy to ignore business insurance. Spending money to protect against possible risks in the far-off future seems like a waste of your precious capital.

But not having insurance is how many small business owners get into financial trouble—or even go bankrupt.

A recent survey by Manta and Insureon reveals just how many entrepreneurs are putting themselves at risk. Fewer than three in 10 small business owners in the survey have a business owner’s policy, the basic business insurance that covers general liability insurance and commercial property insurance to protect you from loss. Even fewer (21 percent) have Errors & Omissions (E&O) or professional liability insurance, 17 percent have workers compensation insurance, 6 percent have business interruption insurance, and only 2 percent have cyberinsurance.

Playing fast and loose with business insurance is a big mistake for many reasons. The increasing frequency of extreme weather events such as floods and wildfires creates additional risk of damage to your business’s property or equipment. Could you afford to replace all your business’s computers if a thief broke in and took them? What would happen if a lawsuit hit your business?

No matter what type of business you own, you operate under some degree of risk. Sadly, no business is completely immune to lawsuits. Fortunately, however, a variety of insurance options exist to help protect small businesses.
Among the most common types of small business insurance are…

**General Liability Insurance**

Sometimes this is called a Business owner’s policy (BOP). This basic type of business insurance generally covers two of the biggest risks for small businesses: general liability and commercial property. General liability insurance can protect you against lawsuits if you damage a client’s property or a customer slips and falls in your store, for example. Commercial property insurance covers loss or damage to your business’s property from burglary, fire or other similar events. This type typically covers claims associated with accidents or injuries on your property or your clients’ premises. General liability policies offer financial protection in the event of bodily injury, property damage, medical expenses, libel, slander, and the cost of defending lawsuits.

**Business interruption insurance**

Here is an additional consideration. Suppose you’re a Southern California entrepreneur whose location was damaged by the recent wildfires. Not only have you lost property, you can’t run your business until the repairs are made—so you’re not making any money. In this type of situation, business interruption insurance can be a lifesaver. Business interruption insurance can help replace lost income if an incident covered by your BOP keeps you from operating as usual.

**Errors & Omissions/Professional liability insurance**

Most commonly used by professional service businesses, this insurance helps protect your business in case you make a mistake or neglect to do something for a client and they sue you. Say you’re an accountant and you make a math error on one of your client’s tax returns. Because of the error, they massively underpay taxes and owe a huge penalty to the IRS, so they sue you. E&O insurance will help cover your court costs, attorney costs and other costs of defending yourself in a lawsuit. You may even find some clients insist you to have E&O insurance before they’ll sign a contract with you.

**Cyberinsurance**

Here is a more recent consideration in the business realm. One look at the headlines will tell you that the risk of a cyberattack on your small business is real, and rising. Small businesses are much more vulnerable than large ones; without a big IT team and massive cybersecurity budget, you have fewer defenses. The average cost of a small business cyberbreach is over $86,000, reports a study by Kaspersky. Cyberinsurance can protect your business in the event of a data breach, a cyberattack, or a lawsuit stemming from the attack (such as a customer suing you over breached financial data).
Home-Based Business Insurance
Because homeowner’s insurance policies don’t usually cover home-based business losses, you might consider adding riders to your policy if you run your business from your home. They can help protect you against financial loss due to normal business risks such as property damage. Realize, however, that coverage may be limited and other forms of insurance might provide better protection.

Product Liability Insurance
If your company manufactures, sells, or distributes products, it may be liable for its safety. Product liability insurance offers protection against claims that a product caused bodily injury or harm.

As you explore if your company may need any of these types of business insurance or others, I suggest that you visit the SCORE website for tips on how to make an educated decision. Also consider talking with a mentor at your local SCORE chapter who can guide you to trusted, knowledgeable insurance resources.

Dean L. Swanson
Southeast Minnesota SCORE
c/o Rochester Area Chamber of Commerce
220 South Broadway, Suite 100
Rochester, MN 55904
www.seminnesota.score.org/
*Dean is a volunteer Certified SCORE Mentor and former Regional Vice President for the North West Region