

Types of Business Insurance

Business insurance is a broad description that can be broken down into a list of nine types of insurance policies. Here are some general descriptions.

Property Insurance

Property insurance insures against loss or damage to the location of the business and its contents. It can also insure the property of others in your control when the loss occurs. Property insurance can be for a specific risk. For example, a fire insurance policy insures only against a fire loss to the location. A tornado is not a fire and, therefore, that loss would not be covered. The insured location can be owned, leased or rented.

Casualty Insurance

Some insurers will lump property and casualty insurance together and refer to the coverage as property and casualty insurance. In fact, packaged policies of property and casualty are often the best purchase a business owner can make. However, to have an understanding of the difference between the coverage, I will discuss this as a separate type of insurance. Casualty insurance insures against loss or damage to the business.

Liability Insurance

Liability insurance insures against liability legally imposed upon your business because of the negligence of the business or its employees. Put another way, it protects your business when the business is sued for negligence.

Commercial Auto

Your personal automobile policy does NOT cover vehicles used by your business. If your business uses vehicles or anything that is required to be titled by your state, then you need a commercial auto policy. Commercial auto coverage insures against property damage to vehicles and damage caused to others by those vehicles.

Workers Compensation

You will need to insure your employees against on-the-job injuries. Workers' compensation is a system where the employee is not allowed, by statute, to sue their employer for on-the-job injuries; but, in return, the employer must participate in a system that provides nearly automatic payment to the employee in case of injury for medical bills and damages. There are many options for workers' compensation coverage.

Business Interruption

Business interruption insurance insures against loss or damage to the cash flow and profit of a business caused by the business being unable to operate because of interruption. The easiest example is to think about a critical piece of machinery being struck by lightning. The repairs to the machine may be covered by other coverage such as property or casualty insurance. But, if you can not make widgets for three months, than there is no replacement of that income without this coverage.

Health Insurance

To be competitive, most businesses need to offer their workers health insurance. This insurance offers a health coverage benefit to your employees (and you).

Life and Disability Insurance

Life and disability insurance protects the business against the death or disability of key employees. For example, one partner carries a life insurance policy naming the partnership as a beneficiary. If that partner dies, and the business has planned properly, the proceeds of the policy can be used by the business to buy out the share of the decedent's partnership interest from the estate.

Other Insurance or Scripted Policies

It could very well be that your business is so unique to have need for coverage that is a mixture of some of the coverage listed above or something written specifically for your particular risk. One can think of some actresses, actors, or sports stars that have had legs insured at some point in their careers. This would be an example of a scripted policy.