Understanding Small Business Insurance

Small business insurance

Small business insurance may cover damages or losses from an **insured event** such as fire or theft. Insured events are **perils** that insurance covers. A peril is a risk or an unexpected event. It causes losses or damages to your business.

Insurance covers some perils and not others. (See Insured events on page 2.)

Coverage type	Description
Commercial property insurance	This insurance may cover damages to a **brick-and-mortar building**. A brick-and-mortar building is a physical location outside of your home. For example, the small business could operate from an office. This insurance may cover damages to your business's **contents**. Contents are the items your business owns. They are things such as stock and inventory. If you **own** the building, this insurance may cover damages to the building. If you **rent** the building, usually the building owner is responsible for most damages. Your rental agreement sets out which building features you are responsible for. This insurance may cover any damages to those features.
Business equipment, stock, inventory	This coverage is for businesses that do **not** have a brick-and-mortar building, such as the following: • They do not have a physical location. • They are mobile. • They are part of a personal home. **Important:** In general, personal home insurance will **not** cover business equipment or stock.
Commercial general liability	**Liability** means legal responsibility. A court determines if you are legally responsible (**liable**) for legal claims. This coverage protects your business against legal claims. It also protects you and your employees. For example, someone might make a legal claim if they are injured on the business's premises.

Coverage type	Description
Crime or employee dishonesty	This coverage may cover losses from an employee's **wrongdoing**. Wrongdoing is illegal or dishonest behaviour. For example, this coverage would cover losses from employee fraud or theft.
Farm or agricultural	This coverage may cover damages to crops, barns, farming equipment, or livestock.
Business interruption	This coverage may cover lost income or extra expenses if you need to close or move your business due to an insured event. (See page 4.)

Choose the type of coverage that is best for your business based on its type and size.

Only an **insurance broker** can add coverage to your policy. An insurance broker is trained to help clients with their insurance needs. They are also **licensed** to do this work.

Reminder: Your insurance broker works for **you**, not the insurance provider. An insurance broker can answer any questions you may have.

Insured events

Generally, small business insurance covers the same perils as personal insurance:

- Fire
- Theft
- Windstorms
- Other events (check your policy)

Small business insurance may also cover flooding. (See below.)

Important: You must purchase insurance **before** an event occurs. If a disaster such as a wildfire or a flood is approaching, insurance providers may not allow you to purchase a new policy.

Flood coverage

Flood coverage typically covers costs related to water damage:

- Cleanup
- Repairs
- Replacing contents

Flood coverage is sometimes called **overland water insurance**.

Standard policies do **not** typically include flood coverage. Flood coverage is an **endorsement**. An endorsement is a change or addition to your policy.

To add flood coverage to your policy, you must first qualify. Then you must pay a **premium**. A premium is an additional cost.

If you purchased flood coverage, check your policy's **Declarations Page**. (The Declarations Page is a summary near the top of your policy.) It will describe your coverage. The policy's endorsements also describe your coverage.

> **Notes:** Your policy may not cover all floods. For example, most policies do not cover **storm surge** or salt water damage. Storm surge is hurricane damage or wind-driven rain.
>
> Water damages from sewage backup may have a separate **sub-limit**. A sub-limit is a limit on the amount insurance will pay out for a specific type of loss. This limit is lower than your policy's standard limit.

Inventory and equipment coverage

How you insure inventory and equipment often depends on the type of business and its size.

> **Important:** Talk to your insurance broker. Make sure you have the right coverage for your business.

Inventory

Often, you can insure inventory under a **general contents limit**. This is a single limit. It covers **all** contents such as the following:

- Office equipment
- Furniture
- Stock
- Inventory

Make sure your limit is enough to cover all your business's contents.

Equipment

You may also be able to include equipment under the general contents limit.

But some business policies may have special requirements for equipment. It depends on the **type** of equipment. And it depends on **how** you use it.

You may need to **schedule** equipment separately. This means that your policy must list each item of equipment individually. And you must insure each item to a specific value.

Insurance providers may have special requirements for equipment such as the following:

- Forklifts
- Utility trailers
- Construction equipment
- Farm machinery, including tractors
- Fishing boats and barges
- Aquaculture equipment such as oyster cages
- Commercial fishing gear such as lobster traps

Business interruption coverage

This coverage may offset losses if you need to close your business after an **insured event**.

> **Example:** There is a wildfire in the area. Your town issues an evacuation order. You need to close your business. Wildfires are an insured event on your policy. And you have added business interruption coverage to your policy. You open a claim for your losses. Your policy covers some of the costs of closing your business.

This coverage may include the following:

- Lost revenue or income
- Rent or mortgage payments
- Employee wages
- Temporary **relocation costs** (moving costs)

Deductibles

The coverages under your insurance policy will have a **deductible**. A deductible is the amount of the claim that you are responsible for.

The amount of deductible you pay depends on the type of insured event. Your policy will specify what your deductible is for different events.

> **Example:** You own a brick-and-mortar business. A flood damages your business's building and contents. You have flood coverage. The total damages amount to $20,000. Your deductible is $1,000. Your insurance provider covers $19,000.