



## Why Is Commercial Insurance Important for Your Business and What Special Coverages Should you Consider

Commercial insurance is one of the most important investments you can make when starting a new company. Good commercial insurance will protect your company from severe financial loss and can be the difference between going under and staying afloat in the case of damages or a lawsuit. It's important to be knowledgeable of the different types of commercial insurance and work with a reputable agent to create the most appropriate policy for your business.

### **Significance**

Commercial insurance is crucial for small businesses. It protects you from commonly experienced losses including property damage, theft, liability and employee injury. With adequate insurance, companies can more easily recover from these types of losses. Without it, you risk going out of business.

### **Types**

The three main types of commercial insurance are liability insurance, property insurance and workers' compensation insurance. Liability insurance protects you from damages that your company inflicts on any third parties. It covers the cost of personal injury or property damage lawsuits and injuries customers incur at your place of business. Property insurance covers damages to property within your place of business, such as fire or flood damage. Workers' compensation insurance protects you in case employees are injured on the job. It also prevents employees from filing negligence lawsuits against you for any injuries they sustain during work. There are additional, specialized forms of coverage under each of these broad categories that can protect you from business-specific liability.

### **Considerations**

It's best to work with an insurance agent who has extensive experience in commercial coverage. According to the Massachusetts Division of Insurance, "The relationship that you build with an agent is extremely valuable in this critical decision making process." The agent will discuss specific losses that are common within your industry and present a proposal for coverage



options based on your business. Make sure to ask questions about anything that you are unclear about including terms, conditions or specialized information. Remember that it is your responsibility to make an informed choice on the insurance that is best for your business, so open communication with the agent is important.

### **Warning**

If a claim arises, contact your insurance agent immediately so that it can be investigated as soon as possible. Commercial claims are more complex than individual claims, so fast assessment is crucial, especially in high-cost liability claims. Avoid handling claims yourself, rather than reporting them to your agent as this will violate your insurance contract.

### **Expert Insight**

According to the Massachusetts Division of Insurance, it's important to remember that your insurance needs may change as your business grows. Make sure that you're knowledgeable about the types of commercial insurance available to you. "It's a good idea to have basic knowledge of the types of insurance coverage available ... As your business changes and expands you may want to purchase additional insurance coverage as new exposures arise," they say.

### **Alternative Important Coverages to Consider:**

**Agreed Amount:** Suspends the coinsurance clause, eliminating the penalty for under-insurance normally contained in property policies. This endorsement usually requires verification of values through appraisal or recognized valuation methods.

**Boiler and Machinery Coverage:** Provides coverage for boilers and other machinery used to service the building. The policy can be broadened to include production machinery as well. Coverage is provided for damage due to explosion or breakdown of machinery; however, wear and tear losses are excluded.



**Business Income/Extra Expense:** Provides money for lost income should your business suffer a covered loss that prevents you from operating. An extended period of indemnity endorsement will continue to pay loss of income from the time your operations begin again until the specified time is over. This allows you time to rebuild your clientele to the point you were at before the loss.

**Cyber Liability/ Data Breach:** Liability for internet activities not covered by traditional insurance. Including intellectual property liability, cyber crime, and other cyber exposures for a brick and mortar company with a website, a web designer, or an Internet service provider.

**Employee Benefits Liability:** Insures against loss resulting from errors or omissions in the administration of employee benefit programs.

**Employee Practice Liability:** For employment-related acts such as wrongful termination, harassment, discrimination, wrongful failure to employ or promote, or employment-related libel, slander, humiliation or invasion of privacy.

**Demolition Cost:** Covers the cost to demolish the undamaged portion of the building after a partial loss.

**Directors and Officers Liability Insurance:** Provides protection for wrongful acts of directors and officers, which may result in shareholder, customer, and employee lawsuits.

**Drive Other Car Coverage:** Fills the coverage gap that exists when the driver of a company car or his/her spouse drives some other vehicle (for instance, a friend's car). Coverage can also be provided for children of driving age. This coverage should be purchased for any employees with company cars who do not have other cars personally insured in their household.

**Employee Dishonesty Coverage:** Covers losses due to employee theft of merchandise or embezzlement. ERISA requires employers with benefit plans to carry employee dishonesty coverage with a limit equal to 10% of total plan assets.

**Employment-Related Practices Insurance:** Coverage available to protect against claims for wrongful termination, discrimination, and sexual harassment and provides money for defense against these allegations.

**Fiduciary Liability Insurance:** Covers losses relating to your duties as a fiduciary of employee benefit plans. ERISA has made trustees of these plans personally liable. Trustees include the insured's officers, managers, and employees who administer such plans.



power transmission and communication lines. This coverage needs to be considered for both property and boiler/machinery perils.

**Umbrella:** Provides an additional layer of protection that is in excess of your liability coverages.

**Flood:** Including surface water, waves, tides, overflow of any body of water, release of water impounded by a dam, mudslide or mudflow, or underground water seeping through foundations, floors, basements.

**Foreign Liability Insurance:** Pays for lawsuits brought in most foreign countries. Can include foreign auto coverage which is usually in excess of locally purchased coverage on rented vehicles, and workers' compensation insurance including repatriation and endemic diseases (affords coverage to bring an injured or ill person back to the United States).

**Hired Automobile Physical Damage:** Provides protection for damage to a vehicle rented by the corporation.

**Increased Uninsured/Underinsured Motorists Coverage:** Affords passengers in your vehicles a higher limit of protection from drivers with inadequate or no insurance who are at fault in an accident.

**Increased Cost of Construction:** Covers increases in expense to repair or replace the building arising from requirements to bring it up to code or conform in other ways to current laws, such as ADA accessibility requirements.

**Ordinance or Law:** Covers loss of value to the undamaged portion of an existing building that an ordinance or law requires to be demolished.

**Pollution:** Coverage is excluded or sublimited under all standard forms. Depending on your exposures, additional coverage may be needed.

**Property/Legal Liability Limit Increased/Coverage Expanded:** Provides a higher limit of coverage for fire losses caused by your negligence that damage the building or property for other tenants. Most policies provide a \$50,000 limit, which may be inadequate. Also, it is recommended that you insure not only against the peril of fire, but other perils as well, such as water damage. We would first review your lease to determine if your landlord has waived subrogation against you, making this enhancement unnecessary.

**Service Interruption Coverage:** Can be on a direct damage basis (covering damage to your property) or on an indirect damage basis (covering your loss of income), which results from damage to properties that provide water, communications, or power supply services. A broader form covers damage to overhead