

Business Owners Policy: Basic Protection for Multiple Risks

You've worked hard to build your business, and it's important to protect it just as you would your home and your family. Lawsuits, property loss, and business interruptions could affect your bottom line and potentially threaten the future of your company.

One way to prepare for the financial consequences of these types of risks is by purchasing the appropriate business owners policy, which offers protection against multiple risks (up to the policy limits) in a single policy.

Business owners policies commonly offer three basic types of protection:

- **Property insurance** for buildings, equipment, and inventory, and other property against loss or damage.
- **Liability insurance** for legal consequences from damages arising from employee behavior, defective products, faulty installations, accidents on company premises, or other events causing bodily injury, property damage, or other harm. Some policies also offer coverage for rented or borrowed vehicles.
- **Business interruption insurance** to help pay expenses and replace lost income if a fire or other catastrophe stops or reduces business output. Some policies offer a benefit to help pay the cost of operating out of a temporary location, depending on the scope and nature of the interruption.

When comparing policies, make sure you know whether the coverage will pay replacement value or actual value. The premiums are typically higher when insuring for replacement value, but the extra expense could pay for itself if it means getting back to work in a matter of days rather than weeks or months.

It's important to periodically review a business owners policy to help prevent the possibility of becoming underinsured. Reassessing the policy limits may help the coverage keep pace with inflation, company growth, and liability risks and trends specific to the company and/or industry.

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