



PROFESSIONAL INSURORS
AGENCY, LLC

Small Business Insurance FAQ Guide



For National Small Business Day, Professional Insurors has compiled a comprehensive FAQ guide to help those in any industry navigate common insurance-related questions.

Table of Contents (click to jump to section):

1. What is considered a small business?
 2. What are the benefits of being classified as a small business?
 3. What insurance is required for small businesses?
 4. What is the cost of business insurance?
 5. If I just started a business, do I need to secure insurance right away?
 6. What type of insurance will cover my business property?
 7. If I use equipment not at my business' physical location, is it insured?
 8. How much business insurance coverage do I need for my business size?
 9. Can you write off business insurance on taxes?
 10. How can I manage my cost of insurance by only paying insurance for my business?
 11. Will my business be audited for business insurance?
 12. Since I'm a small business, do I need to be concerned about cyber liability?
 13. What qualities should I look for in a commercial insurance agent?
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Small Business Insurance FAQ Guide

What is considered a small business?

Unfortunately, the Small Business Administration (SBA) doesn't make this answer easy since the classifications vary by industry. Generally, it is based on the number of employees or the amount of annual receipts a business generates. For the specific regulations, visit [here](#). As of this writing a few common SBA classifications include:

- Construction: No more than \$36.5 million in average annual receipts.
- Retail Trade: No more than \$7.5 to \$38.5 million in average annual receipts depending on your subsector. Other subsectors have defined employee maximums from 100 to 500.

What are the benefits of being classified as a small business?

Being a small business has many benefits including loan assistance, government contracts, research grants, flexibility, and a chance to be more innovative with custom needs. Most small businesses take full advantage of the additional

federal assistance and loan programs that they wouldn't otherwise receive.


What insurance is required for small businesses?

Insurance is a layer of financial protection for businesses in the occurrence that disaster strikes. The most common types of insurance that small business owners will need are commercial property insurance and general liability insurance. These two insurance types can also be combined into what is known as a BOP (Business Owner's Policy).

If your business has employees, you will also be required to carry workers compensation insurance.

If your business owns commercial vehicles used for company purposes, you will be required to carry commercial auto insurance.

Other important types that should be considered are cyber liability which will



Small Business Insurance FAQ Guide

protect you in case of a cyber threat or breach and employee professional liability insurance (EPLI) which will protect you from a lawsuit involving employee harassment and discrimination if held liable in a court of law.

Umbrella insurance is just like it sounds and protects your business from unexpected losses that extend beyond the limits of your other insurance policies.

There are other types of insurance, but you will want to make sure to work with an agent who can assess your risk portfolio to ensure you are purchasing exactly what you need to meet your business's unique needs.

What is the cost of business insurance?

Costs vary based on what policies and limits are purchased as well as your industry, number of employees, revenue and location.

If I just started a new business, do I need to secure insurance right away?


It is extremely important to get insurance on your first day of business. Typically, if you are renting an office or space landlords will require proof of insurance. If you are a sole proprietor, it is still critical to have insurance to protect you and your business.

What type of insurance will cover my business property?

A business personal property policy includes all of your furniture, machinery, equipment, furniture, "stock", and all property owned by you and used in your business. This coverage pays for direct physical loss of or damage to covered property.

If I use equipment not at my business's physical location, is it insured?

If you are in an industry that takes their tools and equipment with you away from the physical location such as contractors, landscapers, photographers, service



Small Business Insurance FAQ Guide

technicians, or others who rely on equipment off-site, you should insure with inland marine coverage. This type of insurance covers materials and equipment while they're in transit, used, or stored away from your business's primary location.

How much business insurance coverage do I need for my business size?

Underinsuring and over-insuring can both be a financial concern. And some contracts with clients have required limits. When deciding how much coverage you actually need working with an experienced agent will be crucial.

For determining how much property insurance you will need, you will need to know the replacement value of your property according to an insurer and then decide if an actual cash value or replacement cost plan makes sense for your business.

For a general liability policy, it is recommended that all small businesses

carry at least \$1 million in GL no matter the size or industry.

Can I write-off business insurance on taxes?

Within reason, yes. As long as your insurance is comparable to others who are in the same industry and have the same size businesses, the expense of your premiums can typically be subtracted from your taxable income. It's always best to consult with your legal counsel and/or accountant regarding all taxes and deductions.

How can I manage my cost of insurance by only paying insurance for my business?

When you hire sub-contractors to do work, you always want to receive valid certificates of insurance proving they have their own General Liability, Auto and Workers' Comp insurance. Also, when you make your request, make sure your business is shown as the certificate holder on the certificate.



Small Business Insurance FAQ Guide

Will my business be audited for business insurance?

For most businesses, insurance agents will ask questions and complete an application when establishing a BOP to make sure you both agree on assessed risks and liability. The audit at the end of the year will look at your sales, payroll, or business income and ensure you were accurate on your projection. If over or under, they will adjust the premium accordingly.

Since I'm a small business, do I need to be concerned about cyber liability?

Yes. According to NetDiligence Cyber Claims study, 504K small businesses were exposed to a cyber breach in 2020. On average, each claim cost \$175,000 in incident and recovery fees. Moral - Small businesses are not immune to hackers and cyber-attacks.

What qualities should I look for in a commercial insurance agent?

Since business owners work closely with their insurance agents, it is important that you look for agents that are responsive and can be reached in an appropriate amount of time. It seems logical but when you are signing a contract, getting a loan, signing a lease agreement, or trying to file a claim you will want an agent who communicates well and in a timely manner. It is also a good idea to look for an agent who has experience providing coverage in your industry. Agents who have niche focuses will be attentive to your unique needs and they may even know your needs better than you do. Lastly, you want an agent who can act as an advisor for other questions you may come across during the course of business.

Whether you're an established small business owner or considering starting up your first business, we hope these small business FAQs gave you enough insight as you weigh your insurance needs. Didn't see an answer to your question? Reach out with your question to info@pi-ins.com.