



NW Insurance Council

Consumer Alert

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Release Date: 05-03-2023

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National Small Business Week

Own and operate a small business? The right insurance coverage is crucial for success

- *After a natural disaster, 40 percent of small businesses won't reopen and 25 percent will close one year later, according to the [Federal Emergency Management Agency \(FEMA\)](#).*
- *The right insurance can help your business survive and rebuild if disasters like fire, windstorms or liability claims strike.*
- *Businesses that plan for losses in advance tend to recover, and more quickly. This includes buying adequate insurance coverage and developing and maintaining a disaster preparedness and recovery plan.*

PORTLAND, OR, May 3, 2023– Small businesses are an important part of the economy, providing jobs and driving innovation, but they often face unique challenges as well as unexpected events that can threaten their success. Without adequate insurance

coverage, a natural disaster, accident or even a fire next door has the potential to cause enough damage to permanently close the doors of a small business.

The Federal Emergency Management Agency ([FEMA](#)) reports that 40 percent of small business won't reopen after a natural disaster, and 25 percent will close within one year. Developing a preparedness plan that includes the right amount of insurance coverage for your small business will help keep your doors open for business after a natural disaster or other loss event.

“Planning for the unexpected is a key component of every business’s survival strategy,” said NW Insurance Council President Kenton Brine. “Talking with your insurance company or professional insurance agent can help you better understand your business’s unique risks – the kind that can be prevented as well as the kind that require the benefits of a well-crafted business owner’s policy.”

Building a business is hard. Protecting your investment starts with assessing your risks, evaluating your insurance needs and understanding your insurance policies to not only provide a financial safety net, but also peace of mind.

Insurance companies usually offer policies that combine protection from major property and liability risks along with additional coverages in one package. A common type of package purchased by small and mid-size businesses is the Business Owner’s Policy (BOP).

The basic BOP typically includes:

- **Property Insurance:** This covers buildings and contents owned by the company. There are two different forms, Standard and Special. Special Form policies provide more coverage and tends to have marginally higher premiums.
- **Liability Protection:** Covers your business’s legal responsibility for harm it may cause to other people or businesses resulting from the actions or inactions of the

owner or employees. Businesses that sell or manufacture products also carry additional coverage that compensates individuals or businesses that are harmed by the product sold or manufactured by the business.

- **Business Auto Coverage:** This is not included in a BOP but can be added as optional coverage or as a stand-alone commercial auto policy.
- **Business interruption insurance:** Covers loss of revenue resulting from an insured loss that disrupts business operations. It also can provide extra expenses so the business can operate from a temporary location while repairs are made to the place of business.

BOP's do not cover [Professional Liability](#), [Workers Compensation](#) or Health and Disability Insurance. These risks require special coverage that is available in a stand-alone policy from an agent or insurance company representative.

Additional coverage also is needed for [floods](#), [earthquake](#) and earth movement (landslides) if you live in an area prone to these disasters.

Other types of insurance you may need, depending on your business, include:

- **Umbrella policies:** Provides coverage above your other liability coverages and is designed to protect against unusually high losses. When the limits of your standard policies are reached, your umbrella coverage will kick in.
- **Specialized liability policies:** Some business need specialized liability coverages such as Business Identity Insurance, which provides legal liability coverage to businesses that fall victim to data theft, Directors and Officers Liability Insurance, Employment Practices Liability Insurance and Professional Liability Insurance.

As your business grows, stay in touch with the insurance professional who handles your insurance policy, especially if your operation becomes more extensive than when you first bought your policy. If you neglect to do so and have a loss, your policy limits may fall

below your risk of liability – potentially exposing the assets of the business or even the personal assets of the owner.

Businesses of all sizes that plan and prepare for losses tend to recover, and more quickly. The Insurance Institute for Business & Home Safety offers a Business Continuity Plan toolkit called [OFB-EZ](#) (Open for Business-EZ) to help business owners get started.

For more information about Property & Casualty Insurance, visit NW Insurance Council's [website](#), call 800-664-4942 or send an email to info@nwinsurance.org.

NW Insurance Council is a nonprofit, insurer-supported organization providing information to consumers, media and public policymakers in Washington, Oregon and Idaho.

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