

I.I.I.: Small Businesses Have Big Insurance Needs

Investing in Risk Management Pays Dividends as A Business Grows

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NEW YORK, May 6, 2019—On this first weekday of [National Small Business Week](#) (May 5-11), the [Insurance Information Institute](#) (I.I.I.) reminds entrepreneurs about the insurance policies they should consider as part of their business plans.

“Having the right types and amounts of insurance can make the difference between a business’s success and failure. In fact, nearly 40 percent of businesses fail after disaster strikes, and that figure grows dramatically for small businesses,” said Sean Kevelighan, the I.I.I.’s CEO. “Effective risk management is just as important as productivity. Understanding your business’s risks and taking proper precautions means a small business can spend more time charting its progress than responding to unforeseen emergencies. In particular, the growing threat of cyber intrusion on small businesses is growing rapidly – one in every 10 were hit in 2017, according to our research. So we encourage those customers to contact their insurance carrier or agent to ensure they have the right coverage in today’s digital world.”

While 10 percent of small businesses were hit by at least one cyber incident in 2017, only 31 percent of them had cyber insurance coverage at the time, according to [Small Business, Big Risk: Lack of Cyber Insurance Is a Serious Threat](#), a report issued jointly by the I.I.I. and J.D.

Power in 2018. Cyber-related losses totaled about \$188,400 on average, for each impacted business, a survey last year of 500-plus industry participants found.

Small businesses are generally defined as enterprises with fewer than 50 employees. They create about two out of every three new jobs each year, according to the U.S. [Small Business Administration](#).

Besides cyber insurance, entrepreneurs should ask their insurance professional about the following coverages:

- A businessowners insurance policy (BOP) combines property, liability and [business interruption](#) (BI) coverage for small businesses. BI, also known as business income insurance, reimburses a business owner for lost profits and continuing fixed expenses during the time a business must stay closed while its premises are being restored because of physical damage caused by events such as a fire or windstorm. Moreover, BI insurance may also cover financial losses which occur if civil authorities limit access to an area after a disaster and their actions prevent customers from reaching the business's premises.
- An errors and omissions (E&O) insurance policy covers the policyholder for negligent acts and omissions that may harm his or her clients. An E&O policy is also known as a professional liability insurance (PLI) policy. It is often deemed an essential coverage for professionals who provide a service for a fee.
- A workers compensation (W/C) insurance policy pays for the medical care and physical rehabilitation of injured workers and helps to replace lost wages while they are unable to work. State laws vary, so it's important to understand the [workers compensation insurance](#) requirements for specific types of businesses.

Small businesses also should consider purchasing commercial vehicle, [employment practices liability insurance](#) (EPLI) and [terrorism](#) policies. In addition, many small businesses offer life, health and disability coverages to its employees.

For more information about business insurance from the I.I.I., review these [articles](#).

The I.I.I. has a full library of educational videos on its [YouTube Channel](#). Information about I.I.I. mobile apps can be found [here](#).

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