



**IBC**  
Insurance Bureau  
of Canada



# Commercial Insurance Basics

Tips to help small businesses navigate the insurance market

**Q&A**

## 1 What kind of insurance do I need?

Every business is different and there are many insurance options available to help protect you and your business. There are **several types** of insurance for small businesses including **coverage for property damage, legal liability, business interruption, crime, specialty risks** and **cyber**.

If you act as a consultant or offer professional advice or services to clients, you may want to consider errors and omissions or professional liability coverage.

Any vehicles used by your business will require coverage provided by a commercial auto insurance policy.

Finally, as **cyber threats** increase and criminals become more sophisticated in their approach to cyber attacks and breaches, it's more important than ever for businesses and organizations to take proactive measures to help protect themselves, including through cyber insurance.

**You have many different coverage options, so reach out to an insurance professional for advice and information.** They can help determine the risks specific to your business and recommend coverage solutions.



## 2 What steps can I take to manage my premiums?

Work with an experienced commercial insurance professional, broker or agent that specializes in your business type to best position you for customized coverage at competitive rates. Begin your renewal process well in advance of the policy expiry date and, with enough lead time that you can ask for quotes from multiple insurance providers to compare coverage options and pricing. This will help ensure you get the best value for your premiums. Insurers may also be able to reduce your premium if you increase your deductible or change your coverage limits.

Consider bundling various insurance policies, such as liability and property insurance, with the same provider to secure discounts. And remember, new and innovative solutions are entering the market all the time, so review your policy at least annually, or anytime you make any major changes to your business operations.





### 3 How are business insurance rates determined?

Commercial insurance is complex. When calculating a business insurance premium, insurers consider many factors such as the type of business you run, the type of products you make or sell, and the risk management strategies you have in place. Make sure you have an insurance representative who understands your business, its risks and insurance requirements. They can help you choose suitable coverages.

### 4 What is a deductible and how does it affect my premium?

The higher the deductible (the portion of a claim that you would have to pay), the lower the premium (the cost of your insurance). Compare premiums with different deductibles, then decide whether the lower premium is worth the higher amount you would have to pay out of pocket if you had a claim. It all depends on how much you can afford and are willing to contribute to a loss.

### 5 What is business interruption insurance? What does it cover and do I need it?

Business interruption insurance covers what your business would have earned during a period of closure due to an insured loss, and it can even cover any continuing expenses. For example, if your auto repair

shop shuts down because of an insured loss such as a fire, your insurance would cover the revenue you would have expected from repairing cars during that period.

Extra expense insurance is also available to cover expenses to get your business operating immediately following an insured loss. For example, you may need to rent equipment or lease temporary premises in order to get your business back on track following an insured loss.

## 6 Will my homeowner's policy cover my home-based business?

If you're working out of your home, don't assume your business will be covered under your personal home policy. You may need business insurance, based on your business revenues and type of business, how much stock you store in your home, and whether customers regularly visit your home.

Liability is perhaps the greatest risk with a home business. For example, most businesses provide some product or service for which they are liable, or a customer may slip and be injured on your icy walkway while visiting you at your home business location.

The personal liability portion of your homeowner's policy will typically not provide coverage for such events. Commercial liability insurance will cover legal costs to defend you in a lawsuit and cover damages brought against you.





## 7 What is a risk management plan and does it impact my insurance premiums?

When planning your insurance coverage, an important step to take – with the help of your insurance representative – is to identify those potential risks that could critically threaten your business, and insure against them. A risk management plan will identify and analyze potential loss exposures, examine the feasibility of alternative risk management techniques, select the best risk management technique, implement the technique, and monitor the program.

Managing risk is an essential part of every business, large or small. From theft to cyber breaches, you need to be ready for a host of risks that could come your way. Taking the time to understand your risks and putting a robust risk management strategy in place will not only help protect your business from preventable losses, but it can

also help reduce your insurance costs.

If you have risk mitigation plan in place, make sure your staff are aware of the plan and that you share that information with your insurance provider. A detailed risk management plan can help with lowering your premium.

## 8 What resources are available if I still have additional questions?

A licensed insurance professional can help you navigate the options that are available to protect you and your business. Insurance Bureau of Canada also has representatives available that can answer general questions and point you in the right direction. Check out IBC's website at [IBC.ca](http://IBC.ca), or contact IBC's Business Insurance Helpline at 1-844-2ask-IBC (1-844-227-5422), if you need help understanding business insurance coverage.



No matter how well you plan, operating a business comes with an element of risk and unpredictability. Your commercial insurance policy should be able to provide peace of mind, as long as you understand the coverage you have purchased. While this document is intended to provide answers to basic insurance questions, your insurance representative is the best resource for any specific questions you may have.

## Questions about insurance? *Call us.*

Call IBC's Consumer Information Centre (toll-free):

**1-844-2ask-IBC** (1-844-227-5422) for more information.

Or visit [ibc.ca](http://ibc.ca) for more information.