

Understanding business owners policies (BOPs)

Business Insurance

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It may sound like a dance craze from the 1950s, but a BOP—a Business Owners Policy—can protect your small business against today’s most common risks. Fire, burglary, liability and business interruption losses are all covered under a BOP.

Since a BOP is prepackaged, there is only one policy to review and it can be more cost effective than purchasing separate policies. Additional coverage can be added in the form of endorsements or riders.

Since a BOP insurance policy is specifically designed for small and medium-sized businesses, the type of business can influence eligibility. Normally, companies with 100 employees or fewer and revenues of up to about \$5 million or less are candidates for a BOP. Some types of businesses, such as restaurants, may be ineligible for a BOP because of the specific risks inherent in the business and may need to consider buying the individual coverages separately.

Combining three insurance policies into one package

In a single, convenient package, a BOP provides the core insurance that most small businesses need, including:

- **Property insurance**—Protection for your building or office space, as well as property owned by your business, such as equipment and inventory.
- **Liability insurance**—Coverage for costs that arise if someone is injured at your business or by using your products or services.
- **Business interruption insurance**—Also known as Business Income insurance, this coverage replaces lost revenues in the event that your business has to shut down due to fire, wind damage or other covered losses.

You can tailor a BOP to meet your needs

It's important to understand that a BOP doesn't cover all risks associated with running a small business and the coverage limits are usually lower. If you have employees, you may be required to carry workers compensation insurance, depending on your state. If you have a business-owned vehicle, you'll need coverage beyond your personal car insurance. You might also consider insurance for relatively new risks such as computer system break-in or business identity theft.

There are unique risks associated with your small business; an insurance professional can help you find the coverages that are right for you. Here are some other types of insurance to explore and ask about:

- Professional liability insurance
- Employee practices liability insurance
- Business vehicle insurance
- Workers compensation
- Health and disability
- Flood and sewer back-up
- Cyberrisk insurance
- Terrorism insurance

Increasing your coverage with excess and umbrella insurance

You can increase the protection provided by your BOP and other business insurance policies by

adding an excess liability or umbrella insurance policy. This type of supplemental policy boosts your coverage beyond the limits of your primary insurance policies. Depending on the policy, your umbrella coverage is designed to broaden and increase coverage, “filling in the gaps” left by other types of liability insurance by covering additional areas of risk and even reimbursing you for deductibles. Your insurance professional can advise you about combining an umbrella policy with a BOP or other business insurance.

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