

Business Insurance Essentials — Workbook

This workbook turns the course into an insurance program you can actually build, read, and defend. Each section mirrors a course module, moving you from understanding how coverage works, through choosing the core policies, to sizing your limits, hunting down gaps, and comparing quotes line by line. Work through the exercises, worksheets, and checklists with your real policies and a couple of fresh quotes in front of you, then use the templates to inventory your coverage, run a gap analysis, and normalize quotes so you buy protection that holds up at claim time, not just the lowest premium.

How Business Insurance Works and Why You Need It

Get fluent in the policy structure and vocabulary, and confirm your personal policies are not quietly leaving the business exposed.

Exercise: Read One Policy Like an Insurer

Pull out one current business policy (or a sample one) and read it in the order the course teaches: declarations first, then insuring agreement, then straight to the exclusions. The goal is to learn what it really covers, not what you assumed.

- From the declarations page, what are the per-occurrence limit, aggregate limit, deductible, and policy period?

- In the insuring agreement, what specific losses does the carrier promise to pay for?

- List the three exclusions most likely to affect your business, what will this policy refuse to pay?

- Are there any sublimits inside the policy (for example water damage, valuable records, or cyber) that cap a payout below the headline limit?

Worksheet: Coverage Vocabulary Decoder

Fill in these terms for one real policy so the abstract vocabulary becomes concrete. This is the sheet you will reuse whenever you compare quotes later.

Annual premium (and payment frequency)

Per-occurrence limit / single-claim cap

Aggregate limit (cap for the whole policy year)

Deductible or self-insured retention

Any sublimits and what they apply to

Occurrence or claims-made basis (and retroactive date if claims-made)

Are defense costs inside or outside the limit?

Exercise: Find Your Personal-Policy Gaps

Check whether your existing personal insurance is silently excluding your business activity. For each question, confirm where the business risk actually sits.

- Does your homeowners or renters policy exclude business pursuits, and what is its sublimit for business equipment?
 - Does your personal auto policy exclude or limit business use, and do you (or staff) drive for work?
 - If you hold inventory, tools, or equipment for the business, is any of it covered today, and up to what amount?
 - Does your business have a separate liability entity, and do you understand why that still does not pay a claim?
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Checklist: Insurance Foundations Checklist

- Identified the five parts of a policy and where to find each
- Read the exclusions of at least one policy, not just the insuring agreement
- Defined limit, deductible, sublimit, premium, exclusion, and endorsement for a real policy
- Confirmed whether each liability policy is occurrence or claims-made
- Confirmed personal homeowners, auto, and life policies exclude business losses
- Understood that an LLC is a legal wall and insurance is the money that pays the claim
- Listed the business risks that would be catastrophic versus merely annoying

The Core Liability Coverages

Decide which of the core liability policies your business needs, general liability, professional liability, and a Business Owner's Policy, and what each leaves out.

Worksheet: Core Coverage Selector

For your business, mark whether each core coverage is needed, already held, and at what limit. This becomes the backbone of your insurance program.

General liability (GL): needed? held? limit (e.g. 1M/2M)

Professional liability / E and O: needed? held? limit and retroactive date

Business Owner's Policy (BOP): eligible? held? what it bundles

Commercial property limit and valuation basis (replacement cost or ACV)

Business interruption included? limit and assumed recovery period

Commercial umbrella: needed? layer amount on top of GL

Contractual requirements (lease/client/license) that dictate minimum limits

Exercise: GL Versus E and O: Which Pays?

Insurance gaps happen when owners confuse GL and professional liability. For each scenario, decide which policy responds, and check whether you carry it.

- A client visiting your office trips and is injured, which policy responds?

- Your advice or work causes a client a purely financial loss with no injury, which policy responds?

- Your own employee is injured on the job, which policy responds (and is it GL)?

- Your advertising is accused of infringing a competitor's copyright, which policy responds?

Worksheet: Claims-Made Tail Tracker

For any claims-made policy (professional liability, D and O, many cyber), capture the timing details that decide whether your past work stays covered. Complete each field.

Policy type and carrier

Retroactive date (how far back covered work reaches)

Is the retroactive date preserved across renewals/switches? (yes or no)

Are defense costs inside or outside the limit?

Tail / extended reporting period available? length and cost

Trigger to buy tail (retiring, selling, switching carriers, cancelling)

Checklist: Liability Coverage Checklist

- Confirmed GL coverage at a limit that meets contracts and lease (often 1M/2M)
- Added professional liability / E and O if the business sells expertise or advice
- Checked the E and O retroactive date reaches back over past work
- Considered a commercial umbrella where injury exposure is significant
- Evaluated a BOP as the base layer for liability plus property
- Confirmed business interruption coverage is included and realistically sized
- Listed what the BOP excludes (workers comp, auto, E and O, real cyber) for separate purchase

Property, People, and Specialized Risks

Protect your physical assets, your people, your vehicles, and the modern risks, cyber and key person, that most owners underinsure.

Worksheet: Property and Auto Exposure Worksheet

Inventory what you must insure beyond liability, and confirm it is valued and covered correctly. Fill in each field from your actual assets and operations.

Building owned or leased, and replacement value if owned

Total value of equipment, furniture, inventory, and tools (replacement cost)

Valuation basis chosen: replacement cost or actual cash value

Coinsurance percentage required, and are you insured to it?

Flood or earthquake exposure at your location? (separate policy needed?)

Vehicles owned by the business (need commercial auto?)

Do you or staff drive personal/rented cars for work? (hired-and-non-owned needed?)

Exercise: Workers Comp Reality Check

Workers compensation is usually mandatory the moment you have employees, and contractors do not automatically remove the obligation. Work through your situation.

- How many employees do you have, and what does your state require workers comp from?
 - Are any workers classified as independent contractors who may really be employees?
 - Do you collect a certificate of insurance proving each subcontractor carries their own workers comp?
 - Do you know your experience mod (EMR), and what safety or return-to-work steps could lower it?
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Exercise: Cyber and Key Person Risk Scan

Two modern risks sink small businesses that thought they were covered. Assess your exposure to a breach and to the loss of a critical person.

- What sensitive data do you hold (customer records, payment data), and what would a breach response cost?
 - Do you have real standalone cyber coverage with both first-party and third-party limits, or just a BOP sublimit?
 - Which one or two people, if lost, would seriously damage revenue or operations?
 - If you have co-owners, is there a buy-sell agreement, and is it funded by life insurance?
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Checklist: Property, People, and Specialized Risk Checklist

- Insured property at full replacement value to avoid the depreciation shortfall
- Insured to the required coinsurance percentage to avoid a partial-payout penalty
- Confirmed flood and earthquake are covered separately where exposed
- Carried workers compensation for all employees per state law
- Collected subcontractor certificates of insurance and classified workers correctly
- Closed the business-use auto gap with commercial auto or hired-and-non-owned
- Bought standalone cyber with first-party and third-party limits, not just a sublimit
- Put key person and a funded buy-sell agreement in place where a person is irreplaceable

Buying Smart: Limits, Gaps, and Comparing Quotes

Right-size your limits and deductibles, hunt down the gaps that cause denied claims, and compare quotes on coverage rather than price.

Worksheet: Limit and Deductible Sizing Sheet

Set your limits and deductibles deliberately from your assets, revenue, risk, and contracts. Complete each field, taking the highest figure when inputs conflict.

Realistic worst-case liability claim including legal defense (drives your limit)

Full replacement value of property and inventory (drives property limit)

Contractual minimum limits required by leases, clients, and licenses

Chosen liability limits (per-occurrence / aggregate) and umbrella layer

Amount you can comfortably pay out of pocket per claim (drives deductible)

Coverages weighted up because they would be ruinous (e.g. cyber, workers comp)

Coverages kept light or self-funded because a loss would only sting

Exercise: Run a Gap Analysis

Walk the common coverage gaps one by one and decide, for your business, whether each is closed. Any No is a gap to fix before a loss exposes it.

- Professional liability, cyber, and business interruption, do you have each at a real limit (not a token sublimit)?
 - Is any business driving riding on a personal auto policy, and are subcontractors uninsured?
 - Are flood, earthquake, or any major sublimits leaving a known exposure uncovered?
 - For every claims-made policy, is tail coverage arranged before you would ever switch or cancel?
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Worksheet: Quote Comparison Worksheet

Before choosing a policy, normalize the quotes on coverage so price is the last factor. Fill in one column per quote and compare across, not just on premium.

Carrier name and AM Best (or equivalent) financial strength rating

Coverages included and per-occurrence / aggregate limits

Deductible and any sublimits

Key exclusions (especially any covering a service you actually perform)

Occurrence or claims-made, and defense costs inside or outside the limit

Endorsements included versus extra (e.g. equipment breakdown, HNOA, cyber)

Annual premium (compared last, after coverage is normalized)

Checklist: Buy-and-Review Checklist

- Built limits from worst-case loss, replacement value, and contractual minimums
- Set the deductible to what you can comfortably absorb per claim
- Ran a gap analysis against the common denied-claim causes
- Closed each gap with an endorsement, separate policy, or higher limit
- Compared quotes on coverage, limits, deductibles, and exclusions before price
- Checked each carrier's financial strength rating
- Gave your agent a complete, honest picture of the business on the application
- Scheduled an annual insurance review before renewal to re-size and re-shop

Your Action Plan

1. Read each of your current policies declarations-first, then jump straight to the exclusions to learn what they truly cover.
2. Confirm your personal homeowners, auto, and life policies are not silently excluding business activity, and close any gap with commercial coverage.
3. Carry general liability at the limit your leases and client contracts require, commonly 1M/2M, plus an umbrella if injury exposure is real.
4. Add professional liability / E and O if you sell expertise, and preserve the retroactive date and tail coverage on every claims-made policy.
5. Insure property at full replacement value and to the required coinsurance percentage, and size business interruption to a realistic recovery period.
6. Carry workers compensation for all employees, classify workers correctly, and collect a certificate of insurance from every subcontractor.
7. Buy standalone cyber with first-party and third-party limits, and put key person and a funded buy-sell agreement in place where a person is irreplaceable.
8. Set limits to the realistic worst case and deductibles to what you can comfortably absorb, weighting coverage toward losses that would end the business.
9. Run a gap analysis against the common denied-claim causes, and re-run it every time the business changes (new hire, location, product, contract, or data).
10. Compare quotes on coverage, limits, deductibles, and exclusions before price, check each carrier's rating, and review the whole program annually before renewal.

