



Insurance

How Much Does Business Insurance Cost?

Small business owners often wonder how much business insurance costs. It's an important expense that protects against liability claims and covers business-owned property. Factors that influence the cost of business insurance vary widely, including industry, location, and number of employees. Small businesses can expect to pay between \$400 and \$3,200 annually, depending on coverage needs.

What Business Insurance Is

[Business insurance](#) helps protect your company's financial assets and property from loss that may occur during the normal course of operations. Businesses evaluate their commercial insurance needs based on their risks, which can depend on your industry and operations. Different types of business insurance cover potential claims by paying the associated costs.

Without business insurance, small business owners might have to pay out of pocket for repairs, medical expenses, and legal fees if faced with a liability claim. Other types of insurance may be required by law, such as workers' compensation insurance if you have employees or commercial auto insurance if your business owns vehicles.

How Much Is Business Insurance?

How much business insurance costs is dependent on the size, operations, and industry of your business. Additionally, the types of coverage and number of policies you need affect cost. Most small businesses can get sufficient coverage through a business owner's policy (BOP) for an annual premium of \$350 – \$3,000.

Business Insurance Costs by Type

Type of Insurance	Annual Premium Range	Coverage Limits	Deductible
General liability insurance	\$400 - \$600	\$1 million per occurrence / \$2 million aggregate	\$0
Commercial property insurance	\$750 - \$1,000	\$5,000 - \$300,000	Based on value of property
Business owner's policy	\$350 - \$3,000	\$1 million per occurrence / \$2 million aggregate for liability \$5,000 - \$10,000 for property	Based on value of property

Professional liability insurance	Annual Premium Range	Coverage Limits	Deductible
	\$600 - \$3,000	\$1 million per occurrence / \$2 million aggregate	\$500 - \$1,300

Commercial auto insurance	\$750 - \$1,200 per year per vehicle \$2,000 or more for semi-trucks	\$1 million per occurrence / \$1 million aggregate	\$0 - \$500 on each coverage type
Workers' compensation insurance	10 cents - \$29 per \$100 of payroll	Typically two-thirds of employee wages, up to state maximum	\$0

Business insurance costs vary based on your coverage limits, as well as the deductible you select. Generally, the lower the deductible, the higher your premium is (and vice versa).

General Liability Insurance

Small business owners can expect to pay about \$400 to \$600 annually in premium for general liability insurance. Generally, premium costs increase for more litigious or riskier careers like doctors or contractors. Businesses with high foot traffic and more customers on-site, like restaurants and retail stores, have an increased chance of a claim.

Your [general liability insurance costs](#) depend on:

- Business size
- Revenue
- Industry
- Coverage limits
- Deductible

[General liability insurance](#) covers third-party liability claims, including bodily injury, property damage, and advertising injury. Most general liability also includes product liability coverage for claims of injuries or property damage caused by defective products.

Commercial Property Insurance

You can expect to pay an annual premium of \$750 – \$1,000 for commercial property insurance. Business property coverage costs largely depend on the value of your property and your location. Whether you have actual cash value (ACV) or replacement cost also influences your premium cost. ACV covers your property's replacement cost, minus depreciation.

Some items commonly covered by commercial property insurance include your business's:

- Office equipment
- Inventory
- Fixtures
- Signs
- Furniture

[Commercial property insurance](#) covers the cost to repair or replace business property if it's damaged or affected by a covered event such as fire, theft, vandalism, or windstorms. Property or assets owned by your business are not covered by general liability insurance, so it's important to have commercial property coverage to pay for potential damages.

Business Owner's Policy

A business owner's policy (BOP) typically costs between \$350 and \$3,000, depending on how much additional coverage is added. [Insurance companies](#) can offer BOPs at a discounted rate because it bundles these policies together—costing less than what you would spend on standalone policies. However, only very small, low-risk businesses tend to qualify for a BOP.

A business owner's policy is an affordable package of fundamental policies bundled together. BOPs combine the protection of general liability and commercial property, along with business interruption insurance in case a covered event forces you to temporarily halt operations. Many carriers also offer other industry-specific coverages.

Professional Liability Insurance

Small businesses can expect to pay \$600 to \$3,000 annually for professional liability coverage. Because some industries see more negligence lawsuits than others, [professional liability insurance costs](#) are largely impacted by industry. These high-risk industries tend to be charged more for professional liability insurance as a result.

Professional liability insurance, also called [errors and omissions insurance](#), covers your legal defense against third-party claims alleging they suffered a financial loss as a result of your negligence or mistakes—typically by businesses that provide advice or professional services. Coverage may cover costs for lawyer's fees, court expenses, and settlements of judgments.

Some industries that may have high professional liability costs include:

- Architects
- Engineers
- Healthcare
- Business consultants

Some insurers offer professional liability insurance to businesses that aren't traditional professions, but have specialized knowledge, like personal trainers.

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Commercial Auto Insurance

For small business owners, commercial auto insurance costs \$750 – \$1,200 annually per vehicle. Truck drivers may pay around \$2,000 to \$12,000 annually in premiums if they are owner/operators. Like other types of business insurance, premium costs vary widely and are influenced by your coverage limits and deductible selection.

[Commercial auto insurance](#) covers claims arising from accidents involving vehicles used or owned by your business. Basic policies cover third-party liability physical damage and injuries when you're at fault, but carriers also offer first-party coverage, including comprehensive and collision for an additional cost. Personal auto insurance typically does not cover work-related driving.

Workers' Compensation Insurance

[Workers' compensation insurance](#) covers medical bills and partial wage replacement for employees who experience work-related injuries or occupational illnesses. Workers' comp can also cover funeral expenses and pay death benefits if an employee dies from an accident at work. In exchange, employees basically give up their right to sue their employer for damages in most cases.

Workers' compensation is required by law in every state except Texas, and some states require coverage as soon as you have even one employee. [Workers' compensation insurance costs by state](#) vary, determined by a formula that considers an employee's job risk, your business's claims history, and your payroll. Depending on these factors, workers' comp insurance costs can range from 10 cents to \$29 per \$100 of payroll—or more for high-risk industries.

How Business Insurance Costs Are Calculated

Several factors impact how much business insurance is. Businesses come in all shapes and sizes, and business insurance policies vary widely based on the characteristics of each business—including industry, payroll, and annual revenue. Insurers evaluate these factors to determine the likelihood or risk of your business filing a claim.

What Impacts Business Insurance Costs

The factors that insurance carriers weigh to calculate premium cost can vary significantly from business to business. While many factors are considered, the most influential are typically industry, number of employees, and coverage needs. To find the average cost of all businesses' insurance policies, you would have to factor in businesses at every risk level.

Here are several key factors that can affect the price you pay for business insurance:

Industry

Not all types of businesses carry the same amount of risk. A contractor faces increased risk for some hazards by operating heavy-duty equipment and working at a dangerous job site. An accountant working in a home office faces less risk for injury but potential greater risk of being sued for negligence. Certain risk

factors, both financial and physical, increase exposure, translating to higher premiums to cover that risk. General liability and professional liability insurance can help account for many of these third-party risks.

Number of Employees

The number of employees your business has on its payroll influences the cost of your business insurance. You can expect to pay more if you have more employees because your potential for claims are higher than a business with fewer, or no, employees. Each additional employee increases the risk of an accident occurring for customers or clients, so employers often pay more for general liability and property insurance. Plus, having employees usually means you have to buy workers' compensation insurance.

Location

Insurance costs can differ from state to state. Each business is evaluated on an individual basis. The location of your business brings considerations unique to your area, such as geographical risks (e.g., flooding), population (e.g., crime rates), and local law. Some states have laws that make it easier for people to sue a business and win, which also increases rates. Even moving locations within the same city can result in different costs.

Commercial property insurance is particularly influenced by your location because you may be in areas prone to natural disasters or crime, thereby increasing the likelihood of a claim.

Coverage Needs

The amount of coverage selected for your business insurance has an impact on your premium. A policy with higher limits typically costs more because your insurer pays out more. You can adjust these limits to meet your specific needs, as well as selecting a deductible that you're comfortable paying if you need to make a claim.

Business owners need to carefully balance coverage cost with risk. Insufficient coverage means you may have to pay for a claim out of pocket if your policy doesn't cover the entire amount. A catastrophe or large loss may force you out of business. [Commercial umbrella insurance](#) can help boost your coverage amounts when claims exceed the limits of certain primary insurance policies.

Claims History

As with other types of insurance, your claims history—claims you make and claims made against you—can affect your business insurance costs. Your claims history helps your insurance carrier evaluate the type and frequency of claims your business may face. The higher the risk for a claim, the higher the cost for coverage.

The Cost of Not Having Business Insurance

Some types of business insurance are required by law. Insurance is minimally regulated by the federal government, but there are some specific business insurance requirements at the state level. If you fail to carry a certain type of business insurance when required by law, your business may have to pay penalties or fees.

For example, workers' compensation insurance is required in every state but Texas for businesses with employees. Also, if your business owns or operates a vehicle for work-related purposes, most states require you to carry commercial auto insurance to cover third-party liabilities if your at-fault in an accident.

Why Business Owners Need Commercial Insurance

Even if these or other policies are not legally required, business insurance is highly recommended for all business owners. If you're faced with a liability lawsuit, you'll have to pay for damages and legal fees out of pocket. For example, say a customer suffers an injury on your premises and ends up in the emergency room. Her medical bills, including the ambulance ride and hospital visit, may be your responsibility. If she decides to sue, then you're looking at hiring a lawyer, and that costs an average of \$253 per hour accord to Clio's [2019 Legal Trends Report](#).

Commercial insurance also protects against costs when your own property is damage. For instance, a [study of small business insurance claims](#) from The Hartford showed that wind and hail damage claims cost on average \$26,000, and the average fire claim is \$35,000.

Business insurance is also a smart choice for companies looking to sign leases or work with new clients. Many large operations will only work with business owners or vendors who carry business insurance because it demonstrates they are financially stable.

Tips to Reduce Business Insurance Costs

Business owners want to know how much business insurance costs, as well as how to find adequate coverage while keeping premiums low. They need to weigh the price of their business insurance policies against the actual coverage. Take care not to pay for coverage you don't need, but you also don't want to be underinsured.

Here are four tips to help keep your business insurance costs low:

1. Compare Multiple Business Insurance Policy Quotes

Comparing business insurance quotes from at least three different companies may pay off in savings. Find reputable small business insurance companies by checking their reviews and financial rating. You can also work with a broker who can provide quotes from multiple insurers.

2. Adjust Your Deductible

You can save money on your business insurance by adjusting your deductibles. A deductible is the amount you pay toward a claim before your insurance benefits kick in. Typically, the higher your deductible, the lower the cost of your premium. However, you shouldn't take on a deductible you can't afford in the event of a claim.

3. Analyze Your Business Coverage Needs

To help reduce costs further, work with an agent to analyze your business to determine your unique needs. Account for any contractual requirements and avoid paying for coverage you don't need. An agent that knows and understands your business industry can help you adjust your limits to account for your potential

risks.

4. Bundle Your Business Insurance Coverage

You can also save money on your business insurance by purchasing multiple types of coverage from a single carrier. Many insurers bundle essential coverages into a single policy called a BOP that costs less than paying for the policies separately. Remember to ask your agent about additional discounts available to reduce your premium.

Business Insurance Frequently Asked Questions (FAQs)

Business insurance can be a confusing topic for small business owners when it comes to determining what type of coverage you need and how much.

Here are some common questions asked about business insurance:

What types of business insurance do I need?

The coverage you need, and how much, depends greatly on the industry your business is in and the type of work that you do. Talk to your agent to evaluate your risks and for help getting the right coverage for your business. At a minimum, you'll need to acquire any policies required by law, such as workers' compensation insurance if you have employees.

Does my homeowners or personal auto policy cover my business?

Typically, homeowners and personal auto insurance does not cover business-related activities or property. Some insurance companies let you add an endorsement to your personal policy to include some business coverage. Home-based business owners can also opt for a business owner's policy.

What information do I need to apply for business insurance?

To get an accurate quote, small business insurance companies require details and basic information about your business. Gather your documents and necessary information before you get started. Most insurers ask for information on your business's industry, location, payroll, number of employees, revenue, and claims history.

Bottom Line

Business insurance is an investment for small business owners as a means to protect your assets and operations from everyday risks. How business insurance varies widely based on your type of business, industry, and coverage needs. Insurance carriers evaluate these and other factors to determine the cost of your annual premiums.

About the Author



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Jaclyn Moriarty is a writer with our finance team focusing on insurance. Prior to joining Fit Small Business, Jaclyn worked in content marketing for financial services. She holds a Bachelor of Arts degree in journalism and English from Bradley University and has written for a number of finance and insurance companies, including Insureon and Amica.

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