Insurance

# Ecommerce Business Insurance: Cost, Coverage & Providers

Ecommerce business insurance is a collection of commercial policies designed to protect you and your ecommerce business. A common policy for ecommerce business owners is cyber liability insurance, which covers losses or damages resulting from cyberattacks and data breaches. Most ecommerce businesses require additional policies, so ecommerce insurance costs between $400 to $7,500 annually.

**CoverWallet** is an award-winning broker that uses intuitive technology to walk small business owners through the application process and shop prices among the best carriers—that makes obtaining ecommerce business insurance simple. Go to CoverWallet's website to complete an easy application and get a quote instantly from multiple providers.

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**Visit CoverWallet**

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## How Ecommerce Business Insurance Works

**Ecommerce business insurance** is protection for online retailers looking to safeguard their business assets. Acquiring the right coverage for your business protects your property and operations by covering cyber liability and data breaches, product liability, and other exposures so that the costs following a claim don't bring your services to a halt.

Common types of **business insurance** that an ecommerce business may need include:

- General liability
- Commercial property
- Business owner's policy
- **Cyber liability**
- Workers' compensation
- Commercial auto

One of the greatest risks online retailers face is **product liability**. Businesses selling products or services online usually need ecommerce insurance to help mitigate their risks because they can be held liable for the damage their products cause consumers. Ecommerce **business insurance** can help prevent you from paying for these damages out of pocket. Most online retailers can cover this risk with general liability.

# Top Ecommerce Business Insurance Providers

To obtain coverage for your online business, look for reputable small business insurance companies that offer customizable insurance packages for **ecommerce businesses**. A carrier that understands your

industry can better help you find the coverage you need. Check the insurance company's financial stability with agencies like A.M. Best or Standard and Poor's.

## Ecommerce Insurance Providers

| Provider | Best for |
| --- | --- |
| CoverWallet | Online retailers who want to shop around and compare quotes from multiple carriers |
| Nationwide | Small business owners who want to work with a top-rated, nationally recognized carrier |
| Layr | Ecommerce owners looking for cyber liability insurance and cybersecurity resources |
| Embroker | Owners of growing online businesses who are seeking private funding and investors |
| The Hartford | Ecommerce retailers who want to work with a carrier that specializes in small businesses |

## CoverWallet

**CoverWallet** is an online **commercial insurance brokerage**, making it a terrific choice for online retailers who want to compare ecommerce business insurance quotes from multiple insurers quickly. Once you've completed the fast, simple online application and analyzed quotes, CoverWallet can provide coverage in as little as five minutes.

CoverWallet also provides ecommerce business insurance price information on its website with ballpark costs. Additionally, CoverWallet's coverage breakdown shows what's provided in different plans, at different price points.

## Nationwide

Nationwide, a national, well-recognized insurance company, offers a wide range of policies for online retailers. If you're not sure what type of ecommerce business insurance you need, Nationwide features a Coverage Advisor tool that helps build your business profile to review ecommerce insurance options and compare with businesses similar to yours.

Additionally, Nationwide boasts excellent service: The carrier is rated number one for customer satisfaction in J.D. Power's 2018 United States Small Commercial Insurance Study. Nationwide is the best choice for ecommerce business owners looking to work with a reputable carrier with high marks for customer service and customizable policies.

## Layr

**Layr** uses intuitive technology for a seamless ecommerce business insurance shopping experience. With a

focus on cyber liability insurance, Layr is best for ecommerce business owners seeking data breach protection. Compared to other providers, Layr provides comprehensive coverage details for policies. For cyber liability, Layr offers two options with limits starting at $250,000 and goes up to $1 million.

Layr also offers handy cybersecurity resources just for ecommerce businesses with helpful risk management tips. The online app only takes about 12 minutes to complete, and if you have questions,

there's an information and advice column in the right rail for help.

## Embroker

**Embroker** is an online brokerage offering on-demand expertise and technology to streamline the process of obtaining ecommerce insurance. The broker emphasizes a commitment-free approach by offering business owners the advice they need about coverage with no strings attached. Embrokers offers a full range of ecommerce business insurance, from basic commercial policies to more industry-specific coverage.

Embroker is a good choice for **online retailers** who are seeking a first round of private funding. Ecommerce business owners can quickly obtain certificates as proof of insurance for board members and investors to demonstrate your business is financially stable.

## The Hartford

**The Hartford** is a national carrier with a longstanding history of working with small business owners of all types. For ecommerce businesses seeking an insurer that knows its stuff when it comes to small business risks, The Hartford fits the bill. The Hartford provides excellent customer service, as well as professional claims support.

Ecommerce retailers can get a free quote online in minutes or call to work with a representative. The carrier's team of experts can assess your ecommerce coverage needs and provide a customized policy at an affordable price.

# Types of Ecommerce Business Insurance

Ecommerce businesses often need multiple insurance policies to cover their risks. At the top of the list, online retailers should consider ecommerce liability insurance. Liability policies cover interactions with clients and other third parties. For ecommerce businesses, this typically means securing general liability, cyber liability, and product liability insurance.

While these types of insurance are considered core coverage for ecommerce businesses, they may not be the only policies these businesses need. Each online business is unique, so each has its own set of risks, plus coverage needs may change over time as a business expands.

## Most Common Types of Ecommerce Business Insurance

| Type of Insurance | What It Covers |
|---|---|
| General Liability Insurance | Non-employee claims of bodily injury, property damage, and reputational harm |

| Type of Insurance | What It Covers |
|---|---|
| [Commercial Property Insurance](#) | Damage to business-owned property, including buildings and their contents |
| [Business Owner's Policy](#) | Combines commercial general liability and property coverages, along with business interruption insurance |
| [Cyber Liability Insurance](#) | Costs resulting from cyberattacks and data breaches |
| [Inland Marine Insurance](#) | Products, equipment, and materials while being transported over land or stored off-site |
| [Product Liability Insurance](#) | Third-party injury and damage claims resulting from products you make or sell |
| [Workers' Compensation Insurance](#) | Employees' medical bills and lost wages after a work-related injury or illness |

Coverage needs vary for every ecommerce business, so be sure to talk to an experienced agent familiar with your industry to help determine exactly what you'll need.

## General Liability Insurance

Nearly every business needs **general liability insurance**—and ecommerce businesses are no exception. General liability insurance covers third-party—like a non-employee—bodily injury, property damage, and advertising injury such as copyright infringement. Of great importance for ecommerce businesses, most general liability policies also include coverage for third-party claims of injuries and property damage caused by defective products.

Though most of your business operations may appear to take place online with little person-to-person interaction, the risk of a claim still exists. Say you have a home-based ecommerce business, and you ship all your products straight from your home. With shipments regularly going out, the mail carrier and other delivery persons are frequent visitors. If a delivery person slips and falls on your icy sidewalk, you could be liable for their medical bills and your legal fees if they sue.



*"We have a brick-and-mortar location in Boulder, Colorado, that increases not only our expenses, but risks as well. We handle walk-in sales, wholesale orders, and formulate all of our products on site. While it gives us another sales avenue, we now have inventory stored, employees working with glass and formulation equipment, and a higher premium than we would if the whole business was*

glass and formulation equipment, and a higher premium than we would if the whole business was online only.”*

— *Anita Lopez, Owner, [Ananda Apothecary](#)*

## Commercial Property Insurance

[Commercial property insurance](#) covers costs if your ecommerce business's property is damaged by fire, theft, vandalism, or windstorms. Business-owned property may include your office equipment, workspace, and inventory. Commercial property insurance covers these and more of your business's physical assets, paying the insured amount minus your deductible if they're damaged or destroyed in a covered event.
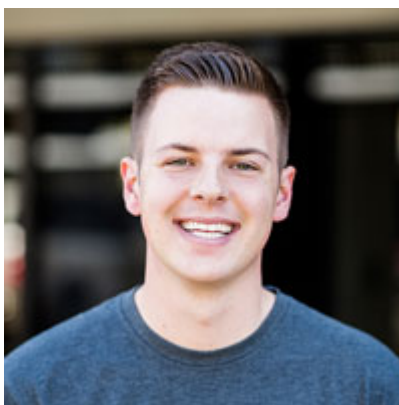


*"One of the largest risks of owning an ecommerce business, specifically one with high-value inventory, is properly storing and securing the product. In our case, we deal with high-end electronics and have had attempted robberies before. To counteract this, we have many security cameras, motion sensors, keycard entry, and a monitoring company that watches our office on off hours.*

*"While we do not have a retail location to cater to the general public, warehousing our product in-house as opposed to shipping it to fulfillment centers means we take on the liability of that product. Our insurance policy protects us against the repercussions of damage and theft from break-ins."*

— *Jack Wight, CEO, [BuybackBoss](#)*

## Business Owner's Policy

A [business owner's policy](#) (BOP) is a bundle of essential coverages paired together in a low-cost insurance package. BOPs typically include general liability, commercial property, and business interruption insurance. However, some insurers offer additional coverage options based on your ecommerce business's industry that can be added to a BOP.

The [business interruption](#) portion of a BOP covers lost income and ongoing expenses when a covered event causes your ecommerce business to halt operations temporarily. Some policies also pay for short-term relocation costs. Covered events are usually those included in a commercial property policy or BOP, such as fire, theft, and windstorm. Most policies don't begin coverage until 48 to 72 hours after initial interruption, and coverage typically has a 12-month time limit.

Think of a BOP as an affordable way to get the fundamental coverage your online business needs to operate. BOPs are only available to small, low-risk ecommerce businesses. Talk to your insurance provider to learn if your business is eligible.

# Cyber Liability Insurance

Cyber liability insurance helps ecommerce businesses recover from damages caused by cyberattacks and data breaches. These costs may include client notification, credit monitoring for impacted customers, and necessary system updates as well as data restoration and damage to your systems.

A cyber liability policy for an ecommerce business can provide two types of coverage:

- **First-party coverage** for when your website, ecommerce platform, or network is hacked
- **Third-party coverage** for when clients and customers sue your business for allowing their private data to be exposed

Some businesses only need third-party coverage if they don't store customers' personal information. However, many ecommerce businesses need first-party cyber coverage because of the information collected during online transactions.



> "Our ecommerce business has unique challenges related to our back-end system that enables us to take orders, undertake filings, and maintain client information in a secure, organized fashion. When it comes to cybersecurity, our top concern is exposing customer information in any way. We work hard to maintain the most secure system, leveraging proper technology and security protocols, along with warning systems in the event of attempted breaches. Further, we undertake training to ensure that our employees are aware of security risks and ways to notice and report them."
>
> — *Deborah Sweeney, CEO, MyCorporation*

# Inland Marine Insurance

Because you sell products online, your business needs to protect that property when it's in transit or at another location. [Inland marine insurance](#) is a type of property insurance that covers products, equipment, and materials while they are being transported overland or stored in an off-site storage facility. Large and small ecommerce businesses may have a significant inventory to protect. Inland marine covers this inventory and other property as it's being transported to your different facilities, a warehouse, or customers.

# Product Liability Insurance

Product liability insurance (PLI), an elected coverage usually included in a general liability policy or a BOP, pays for injuries and damages resulting from products you make or sell.

Often referred to as **products or completed coverage**, product liability protects ecommerce businesses from claims against product defects, malfunctions, or insufficient warning labels and instructions.

If your online business sells a defective product and injures someone, you—whether you're the seller, the manufacturer, or the distributor—can be held legally responsible. Anyone in the supply chain can be a target. In all of these cases, product liability insurance can be necessary to protect small business owners from claims involving their products.

## Workers' Compensation Insurance

**Workers' compensation insurance** provides benefits to employees who have suffered work-related illnesses or injuries. Workers' comp is legally required in nearly every state. Some states require you to carry workers' compensation as soon as you hire your first employee. If your employees become injured or sick while working for your ecommerce business, workers' compensation insurance covers medical bills and partial lost wages.

# Ecommerce Business Insurance Costs

Most ecommerce business owners pay between $400 to $7,500 annually for commercial insurance. Costs generally increase for high-risk industries and larger businesses. While running an online business may seem more low risk than something like construction, your business is still liable for the products or services sold and your customers' data.

## Ecommerce Business Insurance Costs by Policy

| Insurance Policy | Annual Premium | Coverage Amount |
| --- | --- | --- |
| General Liability | $200-$600 | $1 million |
| Commercial Property | $200-$1,000 | Varies based on property value |
| Business Owner's Policy | $350-$2,500 | $1 million |
| Cyber Liability | $500-$8,000 | $1 million |

Insurance providers evaluate numerous factors when determining ecommerce business insurance costs. Business size, claims history, and industry are just a few items used to determine rates. Two online retailers selling similar products but with slightly different claims histories or locations may have different rates, as could two identical businesses in different cities.

Factors affecting the cost of ecommerce business insurance may include:

- **Location:** Businesses contend with different local regulations and requirements, which contributes to the cost of their insurance.

- **Industry:** The type of products or services your ecommerce business offers affect pricing. A retailer selling edible products may have more risk than one selling books.

- **Annual revenue:** An online retailer's annual revenue influences their overall exposure. The more money you make, the greater the chance you might face a claim.
- **Claims history:** Ecommerce business owners may pay more for insurance if they've filed numerous claims because this suggests a greater risk for insurers.

- **Operations:** Insurers also look at the way your business operates, including selling procedures, online payments, online security measures, hiring practices, contracts, and more.
- **Employees:** Hiring employees may increase the chances of theft, client lawsuits, and property damage.

# Other Types of Ecommerce Business Insurance

Most ecommerce businesses need a variety of insurance policies to ensure they're protected completely. While you never want to be overinsured, and you need to be smart about keeping costs low, the unique qualities of your ecommerce business mean you might need additional coverage. Some of those policies may even save you money, such as a business owner's policy.

## Directors & Officers Insurance

Ecommerce businesses and tech startups are often fast-growing companies that involve a board of directors, officers, and investors. Rapid growth can blossom your business—and increase your risks. **Directors and officers insurance (D&O)** is a type of liability insurance that pays defense costs in the event a board member or officer is sued for their managerial decisions, wrongful termination, harassment, and more. As more people begin to represent your business, claims may come from employees, job candidates, or competitors.

## Commercial Umbrella Insurance

**Commercial umbrella insurance** is used to boost coverage on other liability policies, such as general liability. If your ecommerce business is faced with a claim, and it exceeds the limits of an underlying policy, umbrella insurance can help cover the difference. It's more cost-effective to purchase umbrella insurance than separately increasing the limits of your other policies.

## Equipment Breakdown Insurance

If your ecommerce business has a brick-and-mortar store or manufacturing facility, you might need protection for the assets that help you run your business or create your product. **Equipment breakdown insurance** covers both physical loss and financial loss if your equipment is destroyed or damaged by internal causes of loss, such as a short circuit. Equipment breakdown can cover refrigeration systems; computers; heating, ventilation, and air conditioning (HVAC) systems; generators; and other systems required for your business operations.

# Tips on Getting Ecommerce Business Insurance

Applying for ecommerce business insurance can be a complicated process—the online retail space presents many unique risks and challenges, especially depending on what type of industry you're in. You don't need

to be an insurance expert to find the ideal coverage at the right price, but there are a handful of important steps to take that can make the process easier.

Here are three things to remember when applying for ecommerce business insurance.

## 1. Get Multiple Quotes

Comparing quotes from more than one ecommerce insurance company is the best way to find coverage at an affordable rate. When comparing offers, remember the premium isn't the only deciding factor. A less-expensive policy isn't a bargain if it leaves your ecommerce business and its assets underinsured. Pay attention to the deductible too. While a high deductible may reduce the annual premium, avoid taking on a high deductible that may keep you from filing a claim when you need to make one.

## 2. Work With a Company That Understands Cyber Liability

Ecommerce businesses aren't new, but cyber liability insurance is a more recent addition to the insurance marketplace. With the real risk of a cyberattack or data breach, you want to work with an insurance company that knows what those risks are and how to cover them. Cybersecurity should be a top priority when it comes to protecting customer data. Ask your insurer about cyber risk management strategies that may help lower your premium.

## 3. Don't Underestimate Your Risks

No matter the size of your operations, most ecommerce businesses need commercial insurance to protect their company. Even if you own a small, home-based crafting business, you can still face risks, such as if you sell a defective product or a delivery person gets injured at your home. Talk to an insurance agent to evaluate your business's potential risks and make sure you have the coverage you need.

# Ecommerce Business Insurance Frequently Asked Questions (FAQs)

Ecommerce business insurance and determining what type of coverage you need—and when—isn't always easy to decipher.

## Do I need ecommerce business insurance if I sell my products on a third-party platform?

Whether or not you need ecommerce insurance when you use a third-party platform depends on which one you use. For example, Etsy does not require business insurance to sell products. However, Amazon requires sellers making at least $10,000 a month to carry ecommerce insurance. That said, it's smart to obtain ecommerce insurance no matter the size of your ecommerce business to prepare for the unexpected.

## What happens if my ecommerce site experiences a data breach?

If your ecommerce business experiences a data breach or other cyberattack, you could be liable for exposing customer data and private information. You have a responsibility to keep that data safe. Cyber liability

customer data and private information. You have a responsibility to keep that data safe. Cyber liability insurance can help cover costs associated with the breach, including customer notification, credit monitoring, and good faith advertising. Without coverage, you could be on the hook for massive damages that put you out of business.

# What if I sell a defective product?

As the seller, you're part of the supply chain that can be held liable if a defective product injures someone, makes someone ill, or damages property. Any party involved in the supply chain should take measures to ensure that the products they sell are safe for use. Product liability insurance covers claims related to defective products, but it typically does not cover the costs for a recall.

# Bottom Line

Ecommerce businesses face many liabilities and risks like any other business, but they face unique challenges that come with working in the online space, such as protecting customer data and ensuring product quality. By working with an insurance agent to identify your exposures and protect your operations with ecommerce business insurance, you can find and manage risks you might not have planned for.

[CoverWallet](#) offers ecommerce business owners free online quotes and access to expert representatives who can help you find the ecommerce insurance you need.

Visit CoverWallet

# 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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