

Internet Businesses

If your business promotes or markets its products or services over the Internet, there are unique property and liability risks. For example, you are vulnerable to major loss exposures from malicious attacks, loss of service or theft of customer information from your database.

As use of the Internet has grown, insurers have worked to develop products that address the insurance needs of businesses that engage in e-commerce. This is an area of rapid evolution in the insurance industry.

For the majority of small businesses, the most efficient and cost effective way to obtain e-commerce-related coverage is with a Businessowners Policy [1] (BOP), preferably one that is specifically tailored to your type of business. These policies roll a number of different types of coverage into one insurance contract. Though marketed under a variety of names, the policies typically have provisions similar to the property insurance and liability insurance sections of the BOP, with the option to add various other coverages that you may need.

Property Insurance

In addition to insuring your real and personal property and providing other coverage, the BOP includes as part of the basic policy two types of e-commerce-related property coverages. Computer Operations Interruption Coverage pays for business income lost and extra expenses incurred as a result of many computer problems. Electronic Data Loss Coverage pays the cost to replace or restore electronic data destroyed or damaged as the result of causes of loss named in the policy. These include a computer virus or harmful code. For more coverage, there are several endorsements you can choose to add to your BOP. You should discuss your needs with your agent.

Liability Insurance

E-commerce creates liability risks. One is that a breach of your system may cause private information to be compromised. You can add the Electronic Data Liability Endorsement to your BOP to cover liability resulting from loss of electronic data that is caused by an "electronic data incident."

Another is the risk that someone could accuse you of libel, slander or advertising injury because of something published on your Web site. The BOP would provide coverage to defend you and pay any damages for which you are legally liable, up to the policy limit.

While these coverages help protect your e-commerce endeavor, there are events that would not be covered. For example, the Electronic Data Liability Endorsement, defines an "electronic data incident" as an "accident, negligent act, error or omission" that results in loss of electronic data. If the data loss is from some other cause such as theft there is no coverage. Insurers are working to develop products that will fill in this and other gaps in e-commerce insurance coverage.

Workers Compensation Insurance

States have varying rules about when an employer must provide workers compensation insurance. If you have three or more employees, you should check with your state department of workers compensation to see if you are required to provide workers comp insurance.

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