

Finding coverage that matches your business size

Home business, small business, global business —here's how to choose the right insurance for your business

Business Insurance

IN THIS ARTICLE

Home-based businesses

Small businesses

Medium-sized businesses

Large businesses

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The types and amount of insurance that you need for your small business are based on several factors. Ask yourself: What type of business are you in? Where is it located? Do you have employees?

You can evaluate your insurance needs—and start your search for insurance—by first considering the size of your business. These definitions may vary, but are generally based on

the number of employees, total sales and earnings. The definitions below can help you determine where your business falls—and your insurance professional can provide guidance as well.

Home-based businesses



Many successful business launches start at home. Typically **home-based businesses** consist of one or no additional employees and have relatively little revenue.

However, that doesn't mean that the business shouldn't be insured. Every business—including home-based businesses—should be insured against risk. According to the U.S. Small Business Administration (SBA), more than half of American businesses are based at an owner's home—and too many fail to carry appropriate business insurance. While a home-based business is almost always by most definitions a small business, its location may require special attention to insurance coverage. Homeowners insurance alone will not necessarily cover your home-based business against business property loss or liability.

Small businesses



Do you know all of your employees by name? Does your business make less than a few million dollars annually? If so, you're most likely operating a small business. Some insurers consider businesses with 50 or fewer employees to be small businesses. The **SBA defines a small business concern** as one that is independently owned and operated, is organized for profit, and is not dominant in its field.

A common small business policy—called a **BOP, for "Business Owners Policy"**—is usually available only for businesses with fewer than 100 employees and revenues of up to about \$5 million or less. While you can purchase customized insurance to cover your specific type of business, insurers offer standardized small business policies that enable you to affordably protect your company against the most common risks.

Medium-sized businesses



If your small business is growing and thriving, you may have graduated into a medium-sized company. Again, definitions of business sizes vary, but if your company has between 50 and 1,000 employees with annual revenues between \$10 million and \$1 billion, you can seek insurance as a medium-sized business. Insurers have special policies designed specifically for this segment that may combine property and liability coverage. If your medium-sized business

owns especially expensive equipment or has locations in more than one state, you may also want to seek special customized policies.

Large businesses



Large businesses have at least 500 employees; revenue requirements are dependent on the type of business.

Large, complex businesses have multi-million dollar risks, and commercial insurance is customized to meet a company's specific needs. Large companies even have employees dedicated to analyzing the potential causes of accidents or loss, recommending and implementing preventive measures, and devising plans to minimize costs and damage should a loss occur, including the purchase of insurance and managing claims. This practice is known as risk management. If you run a small business, you generally have to act as your own risk manager. Sometimes a small business will hire a risk management consultant. If you're unsure, ask an insurance professional to help assess the risk for businesses of all sizes.

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