Retail & Mercantile Insurance

100 Frequently Asked Questions — Straight Answers for Owners and Managers

After more than 46 years helping Kansas City–area business owners with their insurance, I hear the same questions from retail store and shop owners again and again. Here are straight answers to the 100 I hear most, grouped by topic. Every policy is worded differently, so treat this as a starting point for a good conversation about your own coverage — not a substitute for reading your policy.

— Jay Stoetzer

GETTING STARTED & COVERAGE BASICS

1. What insurance does a retail store need?

Most shops need commercial property, general liability (including products liability), business income, and workers' compensation once they have employees. Crime, cyber, an umbrella and employment practices liability round out a solid program for most stores.

2. What is a Business Owners Policy (BOP)?

A BOP bundles property, general liability and business income into one package priced for small and mid-size businesses. Most independent retailers qualify, and it's usually the most cost-effective starting point.

3. When should a retailer move from a BOP to a commercial package?

When sales, square footage or property values exceed BOP limits, when you need higher or more specialized coverages, or when you sell products some BOP carriers won't touch — firearms, e-bikes, supplements, CBD or high-value jewelry, for example.

4. How do carriers rate a retail store?

Liability is usually rated on gross sales by the type of merchandise you sell. Property is rated on construction, occupancy, protection class and values. The products you carry often matter more than anything else.

5. Why does what I sell matter so much?

Products drive liability and theft exposure. A gift shop, a hardware store, a sporting goods store and a jewelry store all have very different risks — some products are excluded outright by certain carriers.

6. Does it matter if I own or lease my space?

Yes. Building owners insure the structure; tenants insure their contents, improvements and liability, and must meet the lease's insurance requirements — limits, additional insured status, waivers of subrogation and sometimes glass coverage.

7. What liability limits should I carry?

$1 million per occurrence and $2 million aggregate is typical. Landlords and mall managers often require it, and an umbrella of $1–2 million or more is inexpensive protection against a serious injury claim.

8. What will an underwriter ask me?

Your products and sales by category, square footage, building details, security systems, years in business, online sales, imported products, employee count, and three to five years of loss history.

9. Do I need insurance for a pop-up shop or craft fair booth?

Yes. Event organizers usually require general liability with additional insured status. Your regular policy may extend to temporary locations, or you can buy short-term event coverage.

10. How often should I review coverage?

At every renewal and whenever you add product lines, open a location, start selling online, remodel or see big changes in sales or inventory.

PROPERTY & INVENTORY

11. What does property insurance cover for a retail store?
Your inventory, fixtures, displays, POS equipment, furniture, signs, tenant improvements and the building if you own it, against covered causes of loss such as fire, wind, hail, theft and vandalism.

12. Replacement cost or actual cash value?
Replacement cost pays to replace property without deducting depreciation. Actual cash value can leave you short — choose replacement cost for fixtures, equipment and buildings.

13. How is my inventory valued in a claim?
Usually at what it costs you to replace it — your cost, not the retail price. A selling price endorsement can cover finished goods at retail value for sold-but-not-delivered items or certain inventory.

14. How do I handle seasonal inventory peaks?
A peak season endorsement increases your inventory limit for busy periods like the holiday season. A reporting form is another option for stores with big swings.

15. What is coinsurance?
A requirement to insure property to a set percentage of its value. If underinsured, your claim payment is reduced. Keep values current or use agreed value.

16. Are consignment goods covered?
Goods you hold for others are property of others. Most policies offer limited coverage; increase it if you carry significant consignment inventory.

17. Are customers' items left for repair or alterations covered?
Customer property in your care is property of others or bailee exposure. Make sure your limit covers the value you typically hold.

18. Is property away from my store covered?
Property at trade shows, in transit or in storage is often limited. Inland marine or off-premises coverage extends protection.

19. Are my signs covered?
Outdoor signs are often sublimited to a few thousand dollars unless scheduled separately. A lit or electronic sign can cost far more to replace, so list expensive signs with their full replacement value.

20. Is storefront glass covered?
Usually under special-form property, sometimes with sublimits. Large display windows can be expensive — check limits.

21. Are improvements I made to leased space covered?
Tenant improvements and betterments — flooring, lighting, fixtures you installed — should be included in your property values. Your landlord's policy usually doesn't cover them.

22. Does my policy cover flood?
No. Commercial property policies exclude flood. Coverage comes from the National Flood Insurance Program or a private flood carrier, and NFIP policies usually have a 30-day waiting period — don't wait until rain is in the forecast.

23. Is water backup covered?
Only if you add a water backup endorsement. Sewer and drain backup is excluded otherwise. It's inexpensive and especially important if you keep inventory in a basement or have floor drains.

24. What is equipment breakdown?
Coverage for mechanical and electrical failures of HVAC, electrical systems, POS equipment and refrigeration. Standard property excludes these.

25. Are high-value items like jewelry or firearms covered?
Often sublimited or excluded under standard policies. Jewelers block coverage or specialty policies may be needed.

26. Does my policy cover theft of inventory in a burglary?
Yes, under special-form property when there's evidence of forced entry or a burglary. High-theft items like electronics, jewelry and tobacco may carry sublimits and require alarms or other security protections.

BUSINESS INCOME & EXTRA EXPENSE

27. What is business income insurance?
Business income replaces the profit you lose and pays continuing expenses — rent, payroll, loan payments, utilities — while your store is closed or slowed by a covered property loss. Many retailers that close after a fire never reopen; this coverage is what keeps the doors open.

28. How much business income coverage do I need?
Enough to cover lost profit and fixed expenses for a realistic recovery: rebuilding, replacing fixtures, reordering inventory and reopening. For most stores that's 6 to 12 months or more. Your agent can work up a simple worksheet from your profit and loss statement.

29. What if a loss knocks me out during the holiday season?
Retailers often earn a large share of annual profit in a few weeks. Base your limit on what you'd lose if the busiest season were wiped out, not on an average month — or choose "actual loss sustained" coverage with no dollar cap for a set period.

30. What is extra expense coverage?
It pays the added costs of keeping your business going or reopening sooner — a temporary location, expedited shipping, rented fixtures, overtime and moving costs. It's usually paired with business income.

31. Am I covered if the mall or shopping center closes but my store isn't damaged?
Possibly. Civil authority coverage applies when government action blocks access because of nearby physical damage, and some policies include ingress/egress or dependent property coverage. Closures without physical damage generally aren't covered.

32. Does business income cover supply chain problems?
Only with contingent business income coverage, and only when a key supplier or manufacturer suffers covered physical damage. General shipping delays and shortages aren't insured.

33. Does it cover a utility power outage?
Only if you add utility service interruption coverage. Check whether overhead power lines are included and whether there's a waiting period.

34. What is extended period of indemnity?
Standard business income stops when you reopen, but sales may take months to recover. Extended period of indemnity continues paying lost income for a set period afterward — often 60 to 180 days or more.

GENERAL LIABILITY & PREMISES SAFETY

35. What does general liability cover?
Claims that your business injured someone or damaged their property — a customer trips over a display, a shelf falls, an employee damages a delivery truck. It also covers products liability and personal and advertising injury, and pays legal defense in addition to settlements.

36. What are the most common retail liability claims?
Slips and falls at entrances and in aisles, trips over displays, boxes and floor mats, merchandise falling from upper shelves, and parking lot falls. Most are preventable with good housekeeping.

37. How do I prevent and defend slip-and-fall claims?
Keep aisles clear, use quality entrance mats in wet weather, clean spills immediately and document periodic floor checks. Save video and complete an incident report every time someone falls, even if they say they're fine.

38. Are injuries from falling merchandise covered?

Yes. Anchor tall fixtures to walls, keep heavy items on lower shelves, and use proper step stools rather than letting customers climb shelving.

39. What about children hurt in my store?

Covered under general liability, but children are drawn to displays at their height. Secure freestanding fixtures, keep breakables and sharp items out of reach, and watch for climbing.

40. Are parking lot injuries my responsibility?

If you own or control the lot, generally yes. In shopping centers, the landlord often maintains common areas — your lease determines responsibility, so read it with your agent.

41. What is personal and advertising injury coverage?

It covers non-physical injury claims such as false arrest or detention, libel and slander, invasion of privacy, and certain advertising claims like using another's advertising idea. Intellectual property infringement is mostly excluded.

42. Am I covered if we wrongly accuse a customer of shoplifting?

False arrest and detention claims generally fall under personal injury coverage. Still, detaining a customer is risky — train staff to observe, document and call police rather than confront or chase.

43. Are in-store events like book signings or workshops covered?

Usually, if they're consistent with your business. Larger events with food, alcohol, entertainment or outside vendors should be reviewed with your agent first, and vendors should provide their own certificates.

44. Do I need additional insured endorsements?

Landlords, property managers, event organizers and some vendors require additional insured status on your policy. Most BOPs include blanket wording for parties required by written contract — confirm it matches your lease.

45. Are dog bites covered in a pet-friendly store?

Some carriers exclude or limit animal-related injuries. If you welcome pets — or keep a shop dog — confirm your policy covers it.

46. What is medical payments coverage?

It pays modest medical bills for customers injured in your store regardless of fault, usually up to $5,000 or $10,000. Prompt payment on minor injuries often prevents a lawsuit.

47. Does general liability cover my employees' injuries?

No. Employee injuries are handled by workers' compensation, and general liability specifically excludes them. That's why carrying both is essential once you have employees.

48. Am I covered at off-site sales, markets and trade shows?

Many policies extend liability to temporary locations, but property at those locations may be limited. Confirm both before you set up a booth.

PRODUCTS & VENDORS

49. What is products liability?

The part of general liability that covers injuries or property damage caused by products you sell after they leave your store — a defective appliance that starts a fire, a toy that injures a child.

50. Am I liable for products I didn't make?

Yes, you can be sued as part of the chain of distribution. Your products coverage defends you, and your carrier may pursue the manufacturer or distributor to recover what it paid.

51. What is a vendor's endorsement?

An endorsement on a manufacturer's or distributor's liability policy that extends coverage to retailers who sell their products. Ask major suppliers for certificates showing you as an additional insured vendor.

52. Why are imported products a bigger risk?

If an overseas manufacturer has no U.S. presence or insurance, an injured customer may have no one to collect from except you. Carriers often ask what percentage of your products are imported directly.

53. Does selling private-label products increase my exposure?

Yes. When your name is on the label, courts may treat you as the manufacturer. Make sure your carrier knows and that your supplier contracts include indemnification and insurance requirements.

54. Are product recalls covered?

No. General liability excludes the cost of recalling, withdrawing or replacing products. Separate product recall insurance is available for retailers with private-label or high-risk products.

55. Are e-bikes, scooters and lithium batteries covered?

Many carriers now exclude or restrict them because of battery fire risk to both customers and your building. Disclose them up front and expect questions about charging and storage.

56. Are supplements, CBD or vape products covered?

These are frequently excluded. Specialty carriers may cover them by endorsement. Always disclose them — an unreported product can lead to a denied claim.

57. What about firearms, ammunition or knives?

Firearms dealers generally need specialty programs that cover products liability, theft and sales-related claims. Knives and fireworks may also draw exclusions with some carriers.

58. What product records should I keep?

Supplier names and contact information, invoices, purchase dates and lot or batch numbers. If a claim arises years later, these records let your carrier find and pursue the responsible manufacturer.

E-COMMERCE & CYBER

59. Does my policy cover products I sell online?

Products liability usually applies regardless of where the sale happens, but check the coverage territory if you ship outside the U.S. — some policies cover suits brought only in the U.S. and Canada.

60. Do I need cyber insurance?

If you take credit cards, sell online or keep customer email lists, yes. Cyber insurance covers breach response, customer notification, card industry fines and ransomware — costs that general liability and property policies don't cover.

61. What does cyber insurance cover?

Breach response, forensic investigation, legal advice, customer notification and credit monitoring, ransomware, lost income from system downtime, and liability claims from affected customers or card companies.

62. What if my website or online store goes down?

Cyber business interruption can cover lost income from an outage caused by a cyber attack, and some policies cover system failure too. Ask whether outages at your e-commerce platform or hosting provider are included.

63. Are PCI fines and card brand assessments covered?

Many cyber policies cover PCI fines, assessments and required forensic audits after a card breach, sometimes with a sublimit. Confirm the limit and stay current on your PCI self-assessment.

64. Are scams that trick employees into sending money covered?

Social engineering fraud requires specific crime or cyber coverage, usually with a sublimit. Verify any request to change vendor payment details by phone using a number you already have.

65. Are ADA website accessibility lawsuits covered?

Often not — they're typically outside general liability and many cyber and EPLI forms. A few carriers offer limited coverage, but making your site accessible is the best protection.

66. Does insurance cover problems with my dropshipper or marketplace?

Disputes over late shipments or contract terms generally aren't insured. Products liability may still apply to injury claims; check marketplace agreements for insurance and indemnity requirements.

67. Are claims over my ads, photos or social media posts covered?

Personal and advertising injury covers some claims like defamation or using another's advertising idea, but copyright and trademark claims are largely excluded. Use only photos and music you have rights to.

68. Who covers packages lost or damaged in shipping?

Typically the carrier's limited liability or the shipping insurance you purchase. For high-value shipping volume, a transit or inland marine policy can be more economical.

CRIME & THEFT

69. Is shoplifting covered?

No. Property policies exclude inventory shortages discovered by counting and unexplained disappearance. Loss prevention — cameras, layout, EAS tags and attentive staff — is your protection.

70. Is employee theft covered?

Only if you buy employee theft (employee dishonesty) coverage. Employee theft is one of the most common and costly losses for small retailers, often going on for years before discovery.

71. What crime coverages should a retailer consider?

Employee theft; money and securities on and off premises; forgery or alteration; counterfeit currency; computer fraud; funds transfer fraud; and social engineering fraud.

72. Is counterfeit money covered?

Counterfeit currency coverage is available, usually with modest limits. Counterfeit pens, UV lights and staff training are inexpensive prevention.

73. How do I document an employee theft claim?

Video, POS void and refund reports, inventory records and audit findings. Many policies won't pay a loss proven only by inventory counts, so specific evidence matters.

74. Is burglary covered?

Yes — physical damage and stolen merchandise are covered under property, and stolen cash under crime coverage. High-theft items may carry sublimits and alarm requirements.

75. Are bank deposits covered on the way to the bank?

Money and securities off-premises coverage protects deposits in transit. Vary your route and timing, and use a bank bag or armored service for large amounts.

76. How can I reduce theft overall?

Monitored alarms, visible cameras, good lighting, EAS tags on high-value items, locked cases, register audits, dual control over cash and refunds, and background checks for new hires.

WORKERS' COMPENSATION & EMPLOYMENT

77. Is workers' compensation required?

In Missouri, most employers with five or more employees must carry it; in Kansas, most employers with more than $20,000 in annual gross payroll must. Even below those thresholds, an injured employee can sue — coverage is the safer choice.

78. What injuries are common in retail?

Lifting strains while receiving and stocking, ladder falls, box cutter cuts, slips, and repetitive motion injuries at the register. Back injuries tend to cost the most.

79. How is workers' compensation priced?

Payroll for each class code times a rate, then adjusted by your experience mod. Make sure office staff and outside sales are classified correctly — it can lower your premium.

80. Do part-time and seasonal employees count?

Yes. All employees count toward state workers' comp requirements and toward payroll for premium, including part-time workers and holiday help. Make sure seasonal payroll is included in your estimate to avoid an audit bill.

81. What is an experience mod?

A factor comparing your claim history to similar businesses; 1.00 is average. Preventing injuries and returning people to work quickly keeps it low.

82. What is employment practices liability (EPLI)?

EPLI covers claims of discrimination, harassment, wrongful termination and retaliation by employees and job applicants. Small businesses are frequent targets because they often lack HR support.

83. Does EPLI cover wage-and-hour claims?

Usually not, or only defense costs with a small sublimit. Overtime and misclassification claims require careful payroll practices.

84. Am I covered if a customer harasses an employee or vice versa?

Third-party EPLI coverage can respond to harassment or discrimination claims involving customers. Ask whether it's included.

85. Does an employee handbook matter?

Yes. Clear written policies on harassment, discipline and complaints help prevent claims and strengthen your defense. Some EPLI carriers provide HR hotlines and templates at no cost.

86. Are temporary or staffing-agency workers covered?

Agency workers are usually covered by the agency's workers' comp, but confirm in your agreement. Your EPLI should also address claims by temporary workers.

87. How can I lower workers' comp costs?

Train on safe lifting, provide stable ladders and step stools, keep floors clear, report claims promptly and offer light-duty work for injured employees.

88. Are volunteers or family helpers covered?

Generally not under workers' comp. If family members help in the store, talk with your agent about whether they should be on payroll and covered.

AUTO & DELIVERY

89. Do I need commercial auto insurance?

Yes, if the business owns, leases or titles vehicles. Personal auto policies typically exclude business use.

90. What if employees run errands in their own cars?

Hired and non-owned auto liability protects your business if an employee causes an accident on a bank run or supply pickup. It's inexpensive and often added to a BOP.

91. Are local deliveries covered?

Your commercial auto covers liability from the vehicle; the merchandise inside may need transit or inland marine coverage. Large furniture or appliance deliveries add installation and damage exposures — disclose them.

92. Should I check driving records?

Yes. Review motor vehicle records for anyone who drives for the business, set written driver standards and recheck annually.

CLAIMS, PRICING & WORKING WITH AN AGENT

93. How can I lower my insurance premium?

Maintain the building, install monitored alarms and cameras, document safety practices, choose a sensible deductible, report accurate sales and payroll, and bundle coverages where it makes sense.

94. Why did my premium go up without claims?

Rising rebuilding costs, severe weather losses across the industry, larger jury verdicts and higher reinsurance costs all push rates up. Increases in your own sales and property values add premium too.

95. What deductible should I choose?

The highest amount you could comfortably pay out of pocket. Many retailers choose $1,000–$5,000 on property; watch for separate percentage-based wind and hail deductibles.

96. What should I do right after a loss?

Make the area safe, prevent further damage, photograph everything, save receipts for emergency repairs, and report to your agent or carrier promptly. Don't throw away damaged inventory until the adjuster sees it.

97. Should I report small claims?

Always report injuries or incidents that could become claims — late notice can jeopardize coverage. Small property losses near your deductible are worth discussing with your agent first.

98. What if I disagree with how a claim is handled?

Ask the adjuster to explain the decision in writing and involve your agent. Most property policies include an appraisal provision for disputes over the amount of loss.

99. Why work with an independent agent?

An independent agent compares coverage and price from multiple carriers, works for you rather than one company, and advocates for you at claim time.

100. How often should I review my coverage?

At every renewal, and whenever you add products, start selling online, move, expand, remodel or hire significantly more staff.

Have a question that isn't on this list?

Every operation is different, and the right answer depends on your building, your people and your contracts. I'm glad to review your current policies and give you a straight opinion — no pressure.

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