



Insurance for Business Consultants: What You Actually Need

 *A practical guide to the protection most consultants need*

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What insurance does a business consultant actually need?

If you're a business consultant — management, IT, HR, marketing, strategy, whatever the specialty — you've probably been asked for proof of insurance at least once. Maybe a client put it in the contract. Maybe your landlord asked for a certificate. Maybe you just Googled "do I need insurance as a consultant?" at midnight and got 47 different answers.

Here's the short version: most consultants need three core coverages, and depending on how you operate, possibly two more. This guide walks through each one, what it actually does, and how to know if you need it.

I work with a lot of consultants on the Peninsula and across the Bay Area. The conversations are usually the same — smart people who know their craft inside and out but have never had anyone walk them through the protection side without drowning them in jargon. That's what this is for.

— *Zach Nadler, Nadler Insurance*

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The core three: what almost every consultant needs

These three coverages form the foundation of a consultant's protection plan. If you have nothing else, start here.

1. General liability (GL)

General liability covers bodily injury and property damage claims that arise from your business operations. It's the baseline coverage almost every client contract and commercial lease will require.

If a client visits your office and trips over a cord, that's GL. If you're presenting on-site at a client's headquarters and accidentally damage their equipment, that's GL. If someone claims your marketing materials made a misleading statement that caused them harm, that could touch GL too.

For most consultants, the risk profile here is relatively low — you're not operating heavy machinery or running a warehouse. But the requirement is nearly universal. Most contracts ask for \$1M per occurrence / \$2M aggregate at minimum.

What to check:

- You have a GL plan in place with at least **\$1M/\$2M limits** (or whatever your contracts require)
 - Your **business description** on the plan accurately reflects what you do — "management consulting" and "IT consulting" are rated differently
 - You can produce a **certificate of insurance (COI)** quickly when a client or landlord asks
 - If you ever host events, workshops, or trainings, your coverage applies to those activities
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2. Professional liability / errors & omissions (E&O)

Professional liability — also called errors and omissions — is the coverage that protects your advice. If a client claims your recommendation caused them financial harm, this is what responds.

This is the big one for consultants. GL covers physical stuff — someone slips, something breaks. Professional liability covers the work itself. If your strategic recommendation doesn't pan out and the client says it cost them revenue, if a deliverable contains an error that causes downstream problems, or if a client simply alleges you failed to perform — E&O is the plan that responds.

Real scenario: A management consultant recommends a vendor to a client. The vendor underperforms, the project stalls, and the client loses a contract worth six figures. The client's attorney sends a letter alleging negligent referral. Whether the claim has merit or not, your E&O coverage pays for the defense and any settlement.

What to check:

- You have a **professional liability / E&O plan** — this is separate from GL and not automatically included
- The plan covers **defense costs** in addition to the limit (not eroding it)
- Your **retroactive date** goes back far enough to cover past work that could still generate a claim
- The coverage matches your **actual scope of services** — if you've expanded into new consulting areas, the plan needs to reflect that
- If you use **subcontractors**, your plan addresses that relationship

Why this matters more than GL for most consultants: Your biggest exposure isn't someone tripping in your office — it's a client alleging your advice cost them money. E&O is often the most important coverage a consultant carries, and it's the one most often missing.

3. Cyber liability

Cyber liability covers the costs associated with a data breach, ransomware attack, or other cyber incident involving your business or your clients' data.

If you handle any client data — financials, employee records, strategic plans, login credentials, personally identifiable information — you have cyber exposure. Period. Even if you're a solo consultant working from a home office with a laptop and a cloud drive.

The scenarios that trigger cyber claims for consultants are more common than most people realize: a phishing email compromises your inbox and exposes client communications. Ransomware locks your files and threatens to publish client data. A laptop gets stolen from your car with unencrypted client files on it. Your cloud storage gets breached because of a weak password.

What to check:

- You have a **cyber liability plan** in place — even a basic one
- It covers **breach notification costs** (legally required in California)
- It covers **forensic investigation** to determine what happened and what was exposed
- It includes **business interruption** for lost income during a cyber event
- If you have access to **client systems or data**, the limits are appropriate for that exposure
- You have basic cyber hygiene in place — **MFA, strong passwords, encrypted devices** — because carriers ask about this at application and it can affect claims

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Three more to consider depending on how you operate

These aren't universal for every consultant, but they come up more often than you'd think.

4. Hired and non-owned auto (HNOA) endorsement

If you ever drive your personal car to a client meeting, a conference, or the office supply store for business purposes, your personal auto plan is primary — but your business could still be named in a lawsuit. That's where HNOA comes in.

Hired and non-owned auto covers liability when you or an employee uses a personal vehicle (non-owned) or a rental car (hired) for business purposes. It doesn't replace personal auto coverage — it layers on top, protecting the business entity.

This one surprises consultants. If you're driving to a client site and cause an accident, the injured party can sue both you personally and your consulting business. Your personal auto covers you as the driver, but HNOA covers the business.

What to check:

- If you or anyone working for you **drives for business purposes** (even occasionally), you have HNOA
 - It's typically added as an **endorsement to your GL plan** — it's usually inexpensive
 - If you **rent cars for business travel**, the hired auto portion covers liability on those rentals
 - You understand that HNOA covers **liability only** — not damage to the vehicle itself
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5. Workers' compensation — even if it's just you

In California, workers' comp is required the moment you have one employee — even part-time. But here's where it gets interesting for consultants: even if you're a solo owner with no employees, there are good reasons to carry a workers' comp plan.

This is where the **"if any" policy** comes in. An "if any" workers' comp plan covers you in case you hire someone — even temporarily — and provides proof of coverage when a client or general contractor requires it. Many consulting contracts, especially with larger companies or government entities, require a workers' comp certificate regardless of your headcount. An "if any" plan satisfies that requirement at a minimal cost, and it means you're covered instantly if you bring on a 1099 contractor or W-2 employee down the road.

California Owner Exclusion Rules (Example):

California allows certain business owners to exclude themselves from workers' comp coverage, but the rules vary significantly by entity type:

- **Sole proprietors** are generally not required to carry workers' comp for themselves, only for any employees they might have.
- **Partners in a partnership** can typically elect to be excluded from coverage.
- **Corporate officers** (for both S-corp and C-corp structures) can file a waiver to exclude themselves, but this process must be correctly executed with the insurance carrier and applies exclusively to officers explicitly listed on the waiver.
- **LLC members** face a more nuanced situation. California's treatment of LLC members depends heavily on how the LLC is taxed and structured. It's essential to consult with your broker regarding your specific circumstances.

Regardless of legal exemptions, making a **conscious decision** about self-exclusion is vital. If you're injured on the job and have opted out, your personal health insurance may or may not cover work-related injuries, creating a significant coverage gap. Understanding these implications before waiving coverage is a critical step in risk management.

What to check:

- If you have **any employees** (even part-time or just one), confirm you have workers' compensation, as it's often legally required.
- If you're a solo consultant, consider an **"if any" plan** to meet client contract requirements and prepare for future hires.
- If you've **excluded yourself** as an owner, verify this was a deliberate choice based on a clear understanding of the implications, not a default.
- Understand how your **entity type** (sole proprietor, LLC, S-corp, partnership) influences your eligibility for exclusion.
- If you engage **1099 subcontractors**, confirm whether your state might classify them as employees for workers' comp purposes (e.g., under stricter regulations like California's AB5).

How these coverages work together

Here's how a typical consultant's protection plan stacks up:

Coverage	What it covers	Who needs it
General liability (GL)	Bodily injury, property damage, advertising injury	Every consultant — contracts and leases require it
Professional liability / E&O	Claims arising from your advice, services, or deliverables	Every consultant — this is your primary exposure
Cyber liability	Data breaches, ransomware, notification costs, business interruption	Any consultant handling client data (which is almost all of you)
HNOA endorsement	Liability when using personal or rental vehicles for business	Consultants who drive to client sites or business events
Workers' compensation	Employee injuries, medical costs, lost wages — plus contract compliance via "if any" plans	Required with any employees; "if any" plan smart for solos who need COIs
Business personal property	Equipment, furniture, and tools used in your business	Consultants with equipment worth protecting — especially home-based

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Growing Up Covered Insight

A note from Zach

The professional liability conversation is the one I have most often with consultants — and it's almost always reactive. Someone signs a new client, the contract requires E&O, and suddenly they need coverage by Friday. I get it. But the better time to set this up is before the contract arrives.

Here's the thing about professional liability that surprises people: it's usually a **claims-made** plan, which means coverage is triggered by when the claim is reported, not when the work was done. That means if you start a plan today, it typically won't cover work you did last year unless you negotiate the retroactive date. Starting early gives you a longer coverage window — and it's one of those things that's much easier to set up proactively than scramble for after the fact.

The consultants I work with who sleep best at night are the ones who have GL, E&O, and cyber in place before anyone asks for it. When the big contract lands, they just send the COI and get to work.

[Read more at GrowingUpCovered.com](https://www.growingupcovered.com)

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People also ask about consultant insurance

What insurance do I need as an independent consultant?

Most independent consultants need at least general liability and professional liability (E&O). If you handle any client data, cyber liability should be on the list too. HNOA and business personal property round out the plan depending on how you operate.

Is professional liability the same as E&O insurance?

Yes — professional liability and errors & omissions (E&O) are the same coverage. It protects you when a client alleges your advice, services, or deliverables caused them financial harm.

Do I need cyber insurance if I'm a solo consultant?

If you have access to client data, confidential information, or client systems — yes. A single phishing incident or stolen laptop can trigger breach notification requirements under California law. Even basic cyber coverage can save you tens of thousands.

What is hired and non-owned auto (HNOA)?

It's a liability endorsement that covers your business when you or an employee uses a personal or rental vehicle for business purposes. It's usually added to your GL plan and is inexpensive — but it closes a gap most consultants don't know they have.

How much does consultant insurance cost?

It varies based on your revenue, services, and limits, but many solo and small-firm consultants find that GL + E&O + cyber together runs a few thousand dollars a year. The cost of not having it — especially E&O — can be orders of magnitude higher.

Do I need workers' comp as a solo consultant in California?

Not if you have zero employees — but many consultants carry an "if any" plan because client contracts require a workers' comp certificate. It's inexpensive and means you're covered instantly if you hire someone. If you've excluded yourself as an owner, make sure that's a deliberate decision and you understand the gap it creates.

Can I exclude myself from workers' comp in California?

It depends on your entity type. Sole proprietors aren't required to cover themselves. Corporate officers can file a waiver. LLC members fall into a gray area that depends on how the LLC is taxed. Your broker can walk you through the specifics for your situation.

Questions to ask your broker

Copy and paste these:

- What's the difference between my GL and E&O coverage, and where does one stop and the other start?
- Is my professional liability claims-made or occurrence? What's my retroactive date?
- Does my cyber plan cover regulatory fines and breach notification costs under California law?
- Do I need HNOA if I only drive to client sites occasionally?
- If I work from home, does my homeowners plan cover my business equipment?
- Are my subcontractors covered under my plan, or do they need their own?
- Can I bundle GL and E&O to simplify and potentially save?
- Do I need workers' comp if I'm a solo consultant? What about an "if any" plan?
- If I've excluded myself as an owner from workers' comp, what happens if I'm injured on the job?

What to do next

If you're a consultant and you're not sure what you have — or you know you're missing something — send over your current dec pages and we'll do a quick gap check. Takes 15 minutes and costs nothing.

No pressure. Just clarity.

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Ready to review your coverage?

Let's walk through it together at nadlerinsurance.com or reach out directly.

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