

INSURANCE FOR HOME BUSINESSES

General

Most home based business owners do not realize that their business property and activities are not completely covered under their home-owner's policies. Many do not think their risks are high enough to justify the cost of adding business insurance. Some of the factors to be considered are whether customers visit the home office, how much inventory is carried, and whether business equipment is carried in an automobile.

Recommendations

Industry spokespersons say: "Sometimes, a home-owner's policy will cover a portion of business property in a home-based business, but homeowner's policies rarely provide comprehensive business coverage." Most standard policies place limits on the types of business for which property will be covered. Generally, homeowner's policies do not provide coverage for liability arising out of a business. Owners should check with their insurance broker to see whether or not their policies cover any business property and, if so, how much coverage is provided.

In his book, *Insuring Your Business*, Dr. Sean Mooney, CPCU, notes that there are three ways you can buy the home business insurance coverage you need: (1) Add an endorsement to your existing homeowner's policy; (2) buy several individual business insurance policies to provide the various coverage's you need; or (3) purchase an comprehensive business owner's policy designed for small and home-based businesses. According to Dr. Mooney's book, one of the benefits of these all-in-one policies is that they reduce the likelihood of potential gaps in coverage.

The first place to check for this type of policy is with your existing homeowner's or auto Insurance carrier, since you might be required to purchase these policies together. Once in place, the comprehensive packaged policy will effectively extend the amount of personal and liability coverage you have on your home to your business. Insurance companies are responding to the specialized insurance needs of home-based businesses. One example is a recent publication by a national carrier called "New Business in the Home". It states, that a premium of only \$150 annually provides for coverage of \$15,000 to \$20,000. The policy also includes loss of income coverage and comprehensive general liability coverage to help protect owners in the event that personal injury or property damage occurs as a result of business activity.

If the home-based business has only one employee or one independent contractor, the owner should examine the need for workers compensation insurance.

More information is available at the following Internet sites:

www.insurance.wa.gov/industry/smallbusiness/homebusiness.asp

www.10.americanexpress.com/sif/cda/page/0,1641,1528,00.asp (select search and then Small Business Insurance primer)

www.iii.org (select business)

Your business represents your substantial personal and financial investment. Therefore it makes sense to protect your investment with insurance you can count on.