

## Doing Business at Home

When It Comes to Insurance, Make Sure Your Bases Are Covered

By *KIM JULIUS*

According to the National Bureau of Labor Statistics, three out of 10 homeowners operate a business out of their home. More than 66% of the estimated 20.7 million people who work at home are self-employed and run



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a home-based business. It is estimated that more than half of home-based business owners are under insured, and the Independent Insurance Agents of America (IIAA) worry that nearly 40% of those surveyed are uninsured.

Many of these incorrectly believe their homeowners policy covers their business.

Be aware that, although the standard homeowners policy offers some business coverage, it is minimal, severely limits business property, and excludes liability coverage for most business exposures. In fact, the standard homeowners policy indicates that there is only \$2,500 in property coverage located on the 'residence premises,' used at any time or in any

manner for any 'business' purpose and only \$250 for property away from the 'residence premises.'

These limitations mean it is important for you to think about business property coverage, especially if you have business inventory or special equipment in your home.

As far as liability coverage being excluded on the standard homeowners policy for most business exposures, here are some examples of what that means.

If you invite a guest into your home for a party and they are injured by you or your property, the standard homeowner's policy will act and step in to cover the liability. But if a business client is injured in the same manner, your insurance will probably

not protect you.

The same goes for the delivery person who slips and falls while delivering a package to your business. While you may be able to purchase optional business endorsements,

these endorsements fall far short of meeting the coverage needs of most home-business owners.

Therefore, for all the accountants who have clients coming into their home for tax-preparation services, ask yourself—do you have the coverage you need for business property and liability? For all the sales representatives conducting a home-based business to sell products, do you have enough coverage for your inventory of products? What if your customer becomes physically ill as a result of your product—do you have the liability coverage you need? What if your products are damaged or stolen? Do you have coverage to replace them? And what if you sell and buy from

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eBay? It's obvious you have a 'products exposure,' but what does this mean?

For all the computer consultants who have an office at home filled with computers, equipment, and inventory stored in their basement or garage—do you have coverage for the property stored in the garage? For all the attorneys who have client files that contain vital and private information—do you have coverage if these files are destroyed? What if this private information gets into the wrong hands? And for the salespeople selling personal-care products through home parties—if you, by accident, spill your product on your customer's carpet, do you have coverage to clean or replace the carpet?

I ask these questions because most home-business owners are unaware of all the risks stemming from their business and not covered within their homeowners policy.

Home-business owners, as well as those contemplating starting a new business, need to identify the many different property and liability risks they face and how best to protect themselves. The first step in the process of obtaining this protection is

contacting an independent insurance agent. An agent has not only the expertise to recognize your business risks and needs, but also the knowledge of insurance products that can be customized for you. Most agents are able to provide you with the specific policy and coverage that are needed for your business.

The success of a business, whether large or small, whether it's a tiny enterprise run out of your home or a large corporation, is largely dependent on hard work and ingenuity. However, no matter how successful you and your business are, one mishap can wipe out all your profits and even destroy your business.

When a mishap occurs, the key to making sure that all the effort and money you have invested in a business doesn't disappear is to protect it with the appropriate insurance.

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