

Insuring Your Home Business

More than 24 million entrepreneurs operate a business out of their homes. Whether a masseuse, an accountant, a baker or a computer consultant, each should consider the insurance needs of their home-based companies.

Many business owners mistakenly believe that their homeowner's policies cover the property and operations of their business. However, most homeowner's policies cover only \$1,000 to \$2,500 for business equipment and offer no liability protection or loss of income coverage.

There are several options to consider when deciding what type of coverage to purchase for a home-based business. The least expensive option is to purchase an endorsement to your homeowner's policy. For as low as \$14 a year, business-owners can increase their standard homeowner's policy limits. This option may make sense for people who have no liability exposures, do not store business inventory, do not rely solely on their income for survival and have inexpensive business equipment.

Most insurance agents agree that few people fall into the category of being adequately covered with a homeowner's policy endorsement, for those that require additional coverage, a home office policy is the next step up. Home office policies offer business coverage including, business liability and replacement of lost income, as well as homeowners coverages such as fire, theft and personal liability. These policies were developed specifically for home-based businesses and provide adequate coverage while avoiding gaps or duplications in coverage.

A home office policy also provides coverage such as lost income and reimbursement for ongoing expenses if the business is unable to operate because of damage to the home. Coverage for loss of valuable papers and records, accounts receivable and off-site business property are also included in most home office policies.

Businesses that stock inventory, manufacture products and those at high risk for professional liability may want to consider purchasing a business owners policy. BOP's provide the most comprehensive coverage, in addition to the coverage provided by home office policies, BOP's offer off-premises liability and coverage for products.

When deciding how much insurance coverage is needed, it is important to look at how much you have to lose. For example, a masseuse that has clients coming and going from the home would need more liability coverage than a consultant that doesn't have many visitors in the home, because of the possibility of a client injuring themselves on the premises. Just as a Mary Kay makeup consultant would need more coverage for inventory than a CPA might need

Business-owners should discuss the type of insurance that makes sense for them with an insurance agent. Agents can help decide the amount of coverage needed, as well as explain any exclusions and deductibles. It is also recommended that business owners review their insurance needs yearly because as the business grows and changes so do the insurance needs.

Be sure to shop around.

It'll take a few phone calls, but they could save you a good sum of money. Ask your friends, check the yellow pages or call your state insurance department (phone numbers are listed below). Also check consumer guides, insurance agents and companies. This will give you an idea of price ranges and tell you which companies or agents have the lowest prices. But don't consider price alone.

Property and liability insurance

Businessowners need both property insurance in case they're robbed or a fire breaks out in their

company's "headquarters" and destroys equipment and inventory, and liability insurance in case someone gets hurt using their product or services or falls down the stairs when coming to see them

The first tip for businessowners is: Don't assume that your homeowners policy covers your home business. It may, but probably only to a maximum of \$2,500 for business equipment in the home and \$250 away from the premises. It usually doesn't cover business-related liability, for example, if a customer or supplier is injured on your property, at all. Your homeowners policy also doesn't insure your inability to collect your accounts receivable if your business records are damaged, and it won't replace lost income if you cannot operate your business due to damage to your home.

There are three ways you can buy the home business insurance coverage you need:

- Depending on the type of business you operate, you may be able to add an endorsement to your existing homeowners policy. Some insurance companies offer a home day care coverage endorsement for people who operate a home day care service for pay in their home. Some companies will offer property and liability insurance for "incidental" businesses operated from your home. However, each company may define incidental differently. For example, some companies consider an incidental business one that grosses less than \$5,000 per year.
- You can buy several individual business insurance policies to provide the various coverages you need, such as business property, general liability and business income insurance.
- Or you can buy a businessowners package policy designed for smaller businesses, which combines the necessary property and liability insurance coverages you need in a single policy.

Because home businesses keep popping up all over the country, some insurance companies have begun to offer what amounts to a mini-businessowners package policy specifically for home businesses. Some of these policies cover the loss or destruction of business property on or off premises; the loss of valuable papers and important business information; personal injury and advertising liability; accounts receivable up to \$10,000; money lost on premises up to \$5,000 and off premises up to \$2,000.

The companies that offer these policies often require that you purchase your homeowners and auto policies from them. With those policies in place, your home business policy extends the amount of personal property and liability coverage you have on your home to your business. And if a fire or storm makes running your business impossible, it'll cover expenses and lost income for up to a year.

These package policies cut the possibility of gaps and duplications in coverage. But, unfortunately, they're not approved yet for sale in all the states. The important point is to talk with an insurance professional and get the most appropriate coverage for your home business that is available in your state.

Car Insurance

If you use an auto for your business activities--for example, transporting supplies or products, visiting customers, or ferrying employees or customers -- you need to make certain that your automobile insurance will protect you from accidents which may occur while on business. In many cases, your personal automobile policy -- which covers taking the kids to see their grandmother, picking up the groceries, or any one of thousands of personal tasks -- can also cover the business use of your auto. In some cases, however, depending on your type of business and the kind of vehicles you own, you may need to purchase a separate business auto insurance policy. A knowledgeable insurance agent or company representative will be able to determine which approach would be best for you.

Health Insurance

Don't forget that you'll also need health insurance to cover medical costs if you become ill or injured,

and disability insurance if you become unable to work because of sickness or injury. If you have employees, you may want to consider looking into small group insurance programs for your business. Call the National Insurance Consumer Helpline - 1-800-942-4242 - if you have a question about these and other types of insurance.

Compensating Injured Workers

Once you hire an employee, you may need to purchase workers compensation insurance to cover what it will cost if the employee is hurt on the job and needs medical treatment and income until he or she recuperates and can return to work.

If you've incorporated your business, workers compensation insurance can also cover you in case you are injured at work. Since each state has its own set of laws regulating when workers compensation insurance needs to be purchased, you should check with your insurance agent or your state's insurance department to find out how this applies to your business.

Umbrella Policies

An umbrella policy offers you extra liability insurance that pays for a loss when the limits of your underlying policy are reached. So, if you're responsible for someone's injury that requires \$150,000 of medical treatment and the liability limit in your underlying policy is \$100,000, your umbrella policy will pay the additional \$50,000. Keep in mind that most personal umbrella policies that are tacked onto a homeowners or personal auto policy will cover liability stemming from business activities and business property only if covered by the basic policies. Always check your policy to see how it defines business and business property, or ask your agent.

Finding an Agent.

Instead of winging it alone, home business owners would do well to assemble a cadre of advisers, including an insurance agent or company representative. Make sure that the agent or representative you select is knowledgeable about insurance for your type of business. You might ask other home business owners, especially someone who has a home business similar to yours, to recommend an agent for you. Or check with the state or national trade association that covers owners of businesses like yours.

It's a good idea to get proposals for insurance coverage from two or three different agents. Compare the proposals, prices and your impressions of the agents. If you think the agent or company representative is someone who would be supportive and helpful if you had a loss and had to file a claim, the coverage suggested seems appropriate for your business and the price seems reasonable, not out of line, then you've probably found the right insurance professional for you. This person will help you figure out what your needs are and how to get the best coverage for you, now and as your needs change.

Asking About Discounts

Insurance companies frequently offer discounts to owners of businesses with fire detectors or security systems. Some companies also offer discounts to persons who drive a minimum number of miles each year. Be sure to ask your agent or company representative if you're eligible for these or other discounts.

As Your Company Grows

As your company thrives, keep in touch with your insurance agent or company representative. Just as you would let the insurance professional who handles your homeowners insurance policy know if you added a deck to your house or bought expensive home entertainment equipment, so you should let the agent or company representative know if your business equipment, inventory or operation is more extensive than when you bought your policy. If you neglect to do so and you have a loss, you may find that your policy has limits far below the actual current value of your possessions.

Your State Insurance Department

Insurance is regulated by the states, and every state has a state insurance department. The head of the

department is usually called the commissioner or superintendent of insurance. These departments can provide you a lot of information about insurance, and especially the rules that govern it in your state. At the end of this document you'll find the telephone numbers for all the state insurance departments.

AL: 205-269-3550	KY: 502-564-3630	OK: 405-521-2828
AK: 907-465-2515	LA: 504-342-5900	NE: 503-378-4271
AS: 684-633-4116	ME: 207-582-8707	OR: 504-342-5900
AZ: 602-912-8400	MD: 410-333-6200	PA: 717-787-5173
AR: 501-686-2900	MA: 617-521-7777	PR: 809-722-8686
CA: 916-445-5544	MI: 517-373-9273	RI: 401-277-2223
CO: 303-894-7499	MN: 612-296-6848	SC: 803-737-6160
CT: 203-297-3800	MS: 601-359-3569	SD: 605-773-3563
DE: 302-739-4251	MO: 314-751-2640	TN: 615-741-2241
DC: 202-727-8002	MT: 406-444-2040	TX: 512-463-6464
FL: 904-922-3100	NE: 402-471-2201	UT: 801-538-3800
GA: 404-656-2056	NV: 702-687-4270	VT: 802-828-3301
GU: 671-477-5106	NH: 603-271-2261	VI: 809-774-2991
HI: 808-586-2790	NJ: 609-292-5363	VA: 804-371-9741
ID: 208-334-2250	NM: 505-827-4500	WA: 206-753-7301
IL: 217-782-4515	NY: 212-602-0203	WV: 304-558-3394
IN: 317-232-2385	NC: 919-733-7349	WI: 608-266-0102
IA: 515-281-5705	ND: 701-328-2440	WY: 307-777-7401
KS: 913-296-7801	OH: 614-644-2658	



PO Box 50687

Billings, MT 59105

Phone: (406) 245-3676

Toll Free: 877-240-4647

Email: info@associatesinventory.com

Website: www.associatesinventory.com