

THE CIRCLE OF SAFETY: HOW TO PROTECT YOUR IN-HOME BUSINESS

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**Everyone with – or considering – an in-home business must read this report!
Make sure that you and your business are getting the right protection!**

If you are not working at home yet, you may be soon. For more and more Americans, their "commute" to work is from the kitchen or living room to the den or study. By some estimates, there are as many as 18 million home-based businesses in the United States, and that number is expected to grow rapidly.

* **Fact.** Unfortunately, many of these home-based businesses, perhaps even most, do not have adequate insurance coverage. One study found that 60% of those who work at home may not have insurance for their business activities.

The study also found that most of those without business-specific insurance believe they are protected by their homeowners insurance. Actually, a homeowners policy does offer some coverage for home-based business, but it is minimal. **Most homeowners policies provide a maximum of \$2,500 coverage for business equipment (computers, fax machines, etc.) in the home.**

If that sounds like it's enough, it probably isn't. If you are sued because of your home-based business activities -- the company that hired you as a consultant believes your advice was dead wrong; the computer equipment you "fixed" doesn't work; the cookies you baked made someone ill -- your homeowners policy won't protect you.

Further, if you have to temporarily shut down your business for whatever reason, the homeowners policy won't allow you to recover the income you lost because of the shutdown. There are insurance policies available to home-based businesses that do provide these coverages.

Important Question: What's the Scope of Your Business

Some home-based businesses don't need much insurance beyond a homeowners policy, particularly those businesses that have minimal equipment, don't have visitors, don't often visit clients or offer fairly straightforward products. It is possible to add coverage to your homeowners policy for your business.

* **Tip.** Often, for as little as \$14 a year, you can double the limit of coverage for business equipment from \$2,500 to \$5,000.

* **Note.** But be aware that these additional coverages, known as endorsements, don't protect you if you are sued as a result of your business activities. Also, the endorsements usually don't cover income lost. Some insurance professionals strongly believe that business-related endorsements to homeowners policies aren't a good idea for any home-based operation.

One fairly inexpensive option for home-based business owners is a **home office policy**, also known as an in-home business policy. The policy provides the standard coverages for

homeowners -- including fire, theft and personal liability -- as well as coverages for business property, commercial liability and loss of income.

* **Tip.** Often, for about \$200 a year, you can purchase a policy that offers



\$10,000 of coverage for business property. Also, you can buy business liability coverage with limits of \$300,000 to \$1 million. (If this sounds like a lot of coverage, it really isn't. Most people with any significant amount of assets carry liability limits of at least \$300,000 on their personal auto policies.)

In addition, the home office/in-home business policy provides some coverage for loss of valuable papers and records, accounts receivable and business property not located in your home. Also, you can buy additional coverage for equipment breakdown and theft.

* **Note.** While the home office policy offers adequate coverage for many in-home businesses, it is not the best option, or even a prudent option, if you conduct a large amount of your business away from your home.

The most extensive coverage for home-based businesses is available in a **business owner's policy**, which insurance people call a BOP. If you stock a lot of inventory, manufacture fairly complex products or provide professional services where there is a significant risk of being sued by disgruntled customers, a BOP probably is the best option.

Depending on the limits of coverage you need for property and liability, BOP's can cost anywhere from \$150 to more than \$1,000 annually.

* **Tip.** No matter what type of coverage you choose -- whether it's an endorsement to your homeowners policy, a home office/in-home business policy or a BOP -- you and your agent should evaluate on a regular basis, at least once a year, whether your insurance is adequate. As your business grows, it's quite possible it will outgrow your insurance coverage. The bigger your business, the higher limits of property and liability coverage you need.

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