

Insuring Your Home-based Business

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If you're running a business from your home, you may not have enough insurance to protect your business equipment. A typical homeowners policy provides only \$2,500 coverage for business equipment, which is usually not enough to cover all of your business property. You may also need coverage for liability and lost income. Insurance companies differ considerably in the types of business operations they will cover under the various options they offer. So it's wise to shop around for coverage options as well as price.

Regardless of the type of policy you choose, if you're a professional working out of your home, you probably need professional liability insurance. Some types of in-home businesses, such as those that make or sell food products or sell home-made personal care products, may have to buy special policies.

To insure your business, you have three basic choices, depending on the nature of your business and the insurance company you buy it from. They are:

1. **Homeowners Policy Endorsement.**

You may be able to add a simple endorsement to your existing homeowners policy to double your standard coverage for business equipment such as computers. For as little as \$25 you can raise the policy limits from \$2,500 to \$5,000. Some insurance companies will allow you to increase your coverage up to \$10,000 in increments of \$2,500.

You can also buy a homeowners liability endorsement. You need liability coverage in case clients or delivery people get hurt on your premises. They may trip and fall down your front steps, for example, and sue you for failure to keep the steps in a safe condition.

The homeowners liability endorsement is typically available only to businesses that have few business-related visitors, such as writers. But some insurers will provide this kind of endorsement to piano teachers, for example, depending on the number of students. These endorsements are available in most states.

2. **In-Home Business Policy/Program.**

An in-home business policy provides more comprehensive coverage for business equipment and liability than a homeowners policy endorsement. These policies, which may also be called in-home business endorsements, vary significantly depending on the insurer.

In addition to protection for your business property, most policies reimburse you for the loss of important papers and records, accounts receivable and off-site business property. Some will pay for the income you lose (business interruption) in the event your home is so badly damaged by a fire or other disaster that it can't be used for a while. They'll also pay for the extra expense of operating out of a temporary location.

Some in-home business policies allow a certain number of full-time employees, generally up to three.

In-home business policies generally include broader liability insurance for higher amounts of

coverage. They may offer protection against lawsuits for injuries caused by the products or services you offer, for example.

In-home business policies are available from homeowners insurance companies and specialty insurers that sell stand-alone in-home business policies. This means that you don't have to purchase your homeowners insurance from them.

3. **Businessowners Policy (BOP).**

Created specifically for small-to-mid-size businesses, this policy is an excellent solution if your home-based business operates in more than one location. A BOP, like the in-home business policy, covers business property and equipment, loss of income, extra expense and liability. However, these coverages are on a much broader scale than the in-home business policy.

A BOP doesn't include workers compensation, health or disability insurance. If you have employees, you'll need separate policies for these coverages.

- **Automobile Coverage.**

If you are using your car for business activities -- transporting supplies or products or visiting customers -- you need to make certain that your automobile insurance will protect you from accidents that may occur while you're on business. Contact your home or auto insurer.

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