

Most Home-Based Businesses Are Not Properly Insured -- I.I.I. Offers Insurance Checklist To Owners Of Home-Based Businesses

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New York, March 16, 2004 - Whether you're running a home day-care center, preparing clients' tax returns on your kitchen table or writing up wills in your basement office, you need to plan for the unexpected disaster. That's why every home-based business needs to be properly insured, according to the Insurance Information Institute (I.I.I.).

Of the more than 11 million home-based businesses in the U.S., most do not have the proper business coverage.

According to a new survey commissioned by the Independent Insurance Agents & Brokers of America (IIABA) nearly 40 percent of home-based business owners never bought insurance because they thought they were protected by some other type of coverage; 30 percent said their businesses were too small to insure; and nearly 20 percent just couldn't give a reason for not having the coverage.

"Just because the business is located in your home, doesn't mean your home insurance will cover you," said Loretta Worters, vice president of Communications for the I.I.I.

"No matter how industrious you are, one disaster can wipe out all your profits and even destroy your business. The key to making sure that all the effort and money you have invested in a business doesn't disappear when a disaster strikes is to protect it with the appropriate coverage."

According to the I.I.I., a common misconception is that homeowners insurance covers the business, but a typical homeowners policy provides only \$2,500 coverage for business equipment which is usually not enough to cover all of the business property. You may also need coverage for liability and lost income.

Insurance companies differ considerably in the types of business coverages they offer. Some may meet the specific needs of your business, while others may not. So it's wise to shop around for coverage options as well as price.

When insuring your business, there are three basic choices, depending on the nature of your business and the insurance company you buy it from. They are:

Homeowners Policy Endorsement

You may be able to add a simple endorsement or rider 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.

Adding an endorsement to your homeowners policy is the least expensive option, but it might not be sufficient if you have a lot of expensive business equipment. It also doesn't provide business liability or product/completed operations coverage. Nor does it offer business income coverage (coverage for the loss of business income you sustain due to the necessary suspension of your operations).

You can buy a homeowners liability endorsement which will protect you in case clients or delivery people get hurt on your premises and sue. 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.

In-Home Business Policy/Program

An in-home business policy provides more comprehensive coverage for business equipment and liability than a homeowners policy endorsement. Many insurance companies offer comprehensive insurance policies specifically tailored to the small business. The average home-business insurance policy can run about \$250- \$400 for approximately \$10,000 worth of coverage. Cost depends on the type of business you operate, the kinds of safety features that are in place, and the amount of coverage you decide upon.

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.

Business owners Policy (BOP)

The Business owners Policy, known in the insurance industry as a BOP, for short, is one of a number of package policies designed to meet the insurance needs of various kinds of businesses. The key to whether a business owner is eligible for a BOP is the size of the premises, the limits of liability required, the type of commercial operation it is and the extent of its off-premises servicing and processing activities.

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.

As with any insurance policy, a safer work environment will result in lower property premiums. Make sure you have fire detectors and a security alarm system. Also have a computer-data backup procedure - and store the data backup away from your home. If you have an effective system, it may not be necessary to pay an increased premium for loss of business data.

"Making a go of a business takes a lot of hard work," said Worters. "An experienced insurance professional can help make the right choices to protect that business."

The I.I.I. has compiled an easy-to-follow insurance checklist for consumers who are starting or expanding their home-based business. The checklist provides tips to help small business owners with such issues as business interruption insurance, commercial auto, liability insurance, life insurance and workers compensation. There is also information regarding how to properly insure a business. The checklist is available on the I.I.I.'s website at www.iii.org [2].

To download the I.I.I. Business Owners Insurance Checklist, [click here](#) [3].

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