

In-Home Businesses – Part One

Homeowner (HO) policies aren't meant to insure businesses that are run out of a home. The premiums paid for homeowners coverage is based on having to handle the chances of loss that are related to the ownership and use of a residence and related structures. Therefore no liability coverage is available for business activities such as customers who slip and fall on your premises, damage to business property (owned or in your control), injury caused by things you make (products liability), or damage due to services that you promote or provide. It is also unlikely that an insurer would provide a legal defense against business related claims.

Generally, an HO policy does not provide workers compensation coverage for any employee. Medical expense and liability coverage may be available for workers who are ineligible for workers compensation, such as maids, butlers, or nannies, but such coverage only applies if an injury occurs while performing residential tasks.

Example: You send your nanny to make copies of your business proposal and, on the way to the copy center, she is seriously injured in a fall. Your policy won't provide any medical expense coverage for your nanny because she was performing a business-related chore.

There is no coverage for detached garages, barns, or similar structures on your residence premises if they are used in whole or part for business.

Example: You store \$3,000 worth of equipment and supplies that you use in your job in your garage and the garage burns down. The fire loss to the garage becomes ineligible because of its partial business use.

A basic HO policy may protect certain property. However, the coverage may be limited to as little as a few hundred dollars. Items qualifying for limited coverage include business personal property kept in or around your home, business personal property kept at a location other than in or around your home or landlord's furnishings. One way to improve your coverage is to add policy options that do the following:

- increase the coverage limits for business personal property
- cover garages and other buildings that are rented to others
- protect electronic business equipment which is usually used in a vehicle while such equipment is located outside of a vehicle
- provide theft coverage for landlord's property
- acquire limited business personal property and liability coverage for a in-home daycare
- cover a condo unit owners' liability for damage caused by renters
- provide premises liability coverage (i.e. a customer slips and falls)

Please see the other parts in this series that discuss specific business situations.

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