



NW Insurance Council

Consumer Alert

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Survey reveals many home-based businesses are underinsured or uninsured

What to know about insuring your home-based business

- A [recent survey](#) reveals that 44 percent of home-based business owners don't have commercial insurance or are unaware of what their insurance covers.
- Business activity in your home may not be covered by your standard Homeowners Insurance policy, but coverage is available to protect your business and your home.
- To help you get the right coverage, it is important to choose an insurance agent or company with specific knowledge about home-based business insurance.

BOISE, ID, February 28, 2022 – Since the pandemic began, more people than ever are operating a full or part-time business from home. While savvy and creative in their own specialties, many entrepreneurs may think their homeowners policies cover all their [business insurance](#) needs, leaving many home-based business owners underinsured or uninsured.

Roughly 15 million businesses are operated from home in the United States, and according to a recent survey by [AXIS Insurance Research](#), 44 percent of those home-

based business owners either don't have commercial insurance or don't know what their insurance covers.

“Whether it's a ‘side-hustle’ or a full-time gig, your investment in your home-based business could be at risk if you suffer a loss that isn't covered by your Homeowners or Renters policy,” said Kenton Brine, NW Insurance Council President. “Those policies are likely to limit, or even exclude, coverage for the business use of property or possessions – so check with your insurance company or agent to be sure you're protected.”

Options are available to insure a home-based business from losses such as theft, fire and liability. Whether you operate a part-time, full-time or seasonal business from home, it's important to carefully assess your risks and insurance needs to not only provide a financial safety net, but also peace of mind.

The first step is to ask yourself a few questions about your business to help guide you towards which type of insurance is needed:

- What type of business is it, how much profit is expected and what is the value of the business's property?
- Do you have expensive equipment, such as computers and commercial printers?
- Do you stock inventory at home?
- Does your business have employees, and will customers or contractors visit your home business?
- Do you use your vehicle for business purposes?
- Do you store your customers' sensitive financial information on your home business computer?

Here are the main types of insurance to consider for your home-based business:

Property and Liability Insurance

This covers the value of your property from loss due to theft, fire or other insured perils,

plus liability protection to cover costs if someone is injured while visiting your business or using your products or services (you may need product liability insurance as well). While your Homeowners insurance may offer some protection, those policy limits may not be enough or may exclude business activity in your home. Three options are available for property and liability insurance for your home-based business:

1. Adding an endorsement to your Homeowners Policy.
2. Buying multiple stand-alone home-based business insurance policies.
3. Buying a Business Owners Policy (BOP) that combines several types of coverage.

Business Vehicle Insurance

If you use your personal vehicle for business purposes, you will likely need to purchase an endorsement on your auto policy, or consider a separate Commercial Auto Policy to make certain you are protected if you are in an accident while using your car for business.

Workers Compensation Insurance

Once you hire an employee, state law may require that you purchase Workers Compensation Insurance to cover the costs if an employee is injured on the job and needs medical treatment. Workers Compensation also supplements income until the employee recuperates and can return to work. Each state has its own set of laws regulating when Workers Compensation needs to be purchased. Check with your insurance agent or your [state's insurance department](#) to find out how this applies to your business.

Umbrella Policies and Health Insurance

You also may want to consider an additional [Umbrella Policy](#) and Health and/or Disability insurance if you have employees. An Umbrella Policy offers you extra liability insurance for a loss when the limits of your underlying policy are reached. Health and/or Disability Insurance will cover medical costs if you become ill or injured and unable to run your

business. And if you have employees you may want to consider looking into small group health insurance programs for your business.

Business Growth = More Risk

As your home-based business grows, stay in touch with the insurance professional (preferable someone with knowledge about insuring home-based businesses) who handles your insurance policy, especially if your operation becomes more extensive than when you first bought your policy. If you neglect to do so and have a loss, your policy limits may be far below your risk of liability, which could expose your *personal* assets – like your home, savings or retirement fund – to costly losses.

For more information about Property & Casualty Insurance, visit NW Insurance Council's [website](#), call 800-664-4942 or send an email to info@nwinsurance.org.

NW Insurance Council is a nonprofit, insurer-supported organization providing information to consumers, media and public policymakers in Washington, Oregon and Idaho.

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