

# Consumer Counselor

## Insurance Information for Michigan Consumers

### Home-Based Business Insurance

Do you make money from a product or service that you provide in your home? If so, do not assume that your existing homeowners or renters insurance policy covers any part of your home-based business, especially if it is your main occupation. In fact, most home insurance policies exclude coverage for business activities conducted on a regular basis in the home. If you or a family member conducts a business on the insured premises, you should contact your agent to determine if a particular activity would be excluded under the home insurance policy.

#### **What types of coverage would you need?**

Apart from the obvious coverage for business related equipment such as computers, fax equipment, furniture, etc., you may need coverage for property of others that may be stored on your premises. You may need additional personal liability insurance to cover the exposure from increased traffic from contractors or customers that may make frequent visits to your home. Standard home insurance policies do not include coverage for the added property and liability exposures the home business represents.

Many insurance companies now offer home-based business insurance policies that fill the niche between a standard home insurance policy and a full commercial business owner's policy (BOP). These general liability (GL) insurance policies are designed to recognize the special insurance needs of the home-based business owner. Of course, an additional premium will be charged for the increased coverages. However, just as a large business would need to have protection for its products, services, and liability, a home-based business also needs insurance to protect you from certain risks.

#### **What are some of the additional coverages that could be offered in a home-based business insurance policy?**

- ✓ Equipment coverage
- ✓ Merchandise insurance
- ✓ Business property coverage
- ✓ Loss of income protection
- ✓ Product liability coverage
- ✓ Property damage liability
- ✓ Bodily injury insurance
- ✓ Business interruption coverage
- ✓ Professional liability insurance
- ✓ Defense cost coverage

As with other insurance policies, you will need to check with your insurance agent to determine if your home insurance company writes home business coverage and if the product meets your needs. As always shopping around and comparing policies amongst insurance companies is a great way to verify that you are receiving a product which satisfies your needs.

#### **What types of home businesses need extra coverage?**

Examples of home-based businesses that insurance companies would consider outside the limits of the homeowner policy include, but are not limited to: answering service, appliance repair, artist, childcare, consulting, contractor, floral arranger, jewelry maker, mobile app developer, music teacher, pet services, picture framing, professional organizer, realtor, tax preparer, tutor, vacation planner, and web businesses. Check with your agent if you are involved in an activity that produces income, has employees, dedicates a portion of your home to



the business, or you conduct another activity that may expose you to losses not covered under a regular home insurance policy.

### **Who provides home business insurance coverage?**

Several insurance companies provide coverage for home business exposures. If you need coverage and your home insurance company does not provide the right type of insurance, you need to ask other agents for advice. You should not leave your home business uninsured under the assumption your home insurance policy will meet all your needs.

You should also be aware that in most instances an insurance company may not deny you home insurance coverage if you have a home business. However, they can refuse to provide coverage for that business if it does not fit their insurability standards.

If you have further questions about this coverage, please feel free to contact our office at the address or telephone number listed below.

### **About DIFS**

The mission of the Michigan Department of Insurance and Financial Services is to ensure access to safe and secure insurance and financial services fundamental for the opportunity, security and success of Michigan residents, while fostering economic growth and sustainability in both industries. In addition, the Department provides consumer protection, outreach, and financial literacy and education services to Michigan citizens. For more information please contact DIFS at 877-999-6442 or visit [www.michigan.gov/DIFS](http://www.michigan.gov/DIFS)

