



DEPARTMENT OF

Professional & Financial Regulation

STATE OF MAINE

- OFFICE OF SECURITIES
- BUREAU OF INSURANCE
- CONSUMER CREDIT PROTECTION
- BUREAU OF FINANCIAL INSTITUTIONS
- OFFICE OF PROF. AND OCC. REGULATION

Insuring Your Home Business



Millions of Americans operate part-time and even full-time businesses from their homes. **Many don't realize that their homeowners policy offers little or no protection for a home business.**

The Maine Bureau of Insurance offers the following recommendations to help protect your home-based business:

Homeowners policies are not intended to cover businesses, and they generally exclude liability coverage for most business-related activities. There are also restrictions on the coverage they provide for property used for business purposes. *A home-business owner may face an unpleasant and possibly financially devastating surprise when he or she tries to make a claim for a loss.*

Most homeowners policies do not cover structures used for business purposes or rented to others. If you have a separate structure on your property that is used even partially for business, or an apartment over your garage that is rented to a tenant, your homeowners policy is not providing coverage.

For a tenant apartment and some other permitted occupancies, the coverage can be added to the homeowners policy by an endorsement. For many other business-related activities, a separate policy is required. *To learn more, consult an insurance professional.*



A homeowners policy generally provides a small amount of coverage for business personal property – usually limited to **\$2500** for on-premises protection and **\$500** for off-premises. Business personal property typically includes computers, printers, scanners, fax machines, office supplies and furniture, software, and any other items used in your business activity. For example, if you take your laptop with you to visit clients, your camera and equipment to another location for a photography shoot, or your musical instruments for a performance – your coverage is limited to the **\$500** off-premises limit regardless of the value of the equipment you are carrying.

How to Protect Your Home and Business. To determine what type of insurance you should have, contact your insurance professional.

Consider these questions:

- Do customers or clients come to your home?
- Are deliveries relating to the business made to your home?
- Do you manufacture products for sale to individuals or retail outlets, such as knitted items, clothing, food products, gift baskets, craft items, jewelry, art, furniture, etc.?
- Where is your inventory stored?
- Do you repair or restore items and therefore have property belonging to others on premises? (Small engine repair, auto repair, clothing alterations, furniture, appliances, firearms, etc.)
- Do you operate a daycare for children?



- Do you operate a pet daycare or grooming service?
- Do you offer personal care services, such as manicures, massages, or hairstyling?
- Do you provide instructional services such as personal training, music lessons, dance classes, or karate lessons?
- Do you provide professional services such as accounting, legal counseling, or nutritional consulting?

The answers to these questions can help determine what types of coverage you need to protect yourself from loss. Generally, there are three different ways to cover a home-based business.

- **Endorsements to Homeowners policy.** For very small businesses with minimal equipment, no business visitors or deliveries, it may be sufficient to purchase one or more endorsements to your homeowners policy. Higher limits can be purchased for business personal property and many companies offer limited liability coverage for permitted exposures.
- **Home Business Policy.** This type of policy generally combines homeowners insurance and business insurance into one policy. It will include business liability, replacement of lost income, limited coverage for valuable papers and records and accounts receivable in addition to the coverage for your home and personal liability.
- **Business Owners Policy.** Purchase of a separate business owners policy (BOP) would provide the most comprehensive coverage for your home business. It is recommended if you have employees, contractors or customers who make frequent visits to your home business.

Review your limits. Even if you have a separate business policy or endorsement designed to cover your business, some types of property require special consideration for proper coverage. If your business involves jewelry, camera equipment, fine arts or musical instruments, for example, you should make sure the coverage limit is sufficient for the value of your inventory or customers' items in your care.

Flood Insurance. Considering purchasing flood insurance. Many people assume incorrectly that their homeowners insurance will cover damage from flooding. In fact, most homeowners policies exclude flood-related damage. To learn more about flood insurance, property maintenance, and a list of resources. Please visit the Maine Bureau of Insurance's Resiliency Resources web page at <https://www.maine.gov/pfr/insurance/resiliency-resources>.

Other Considerations: Review your business operations and policy needs carefully with your insurance professional to eliminate possible gaps in your coverage beyond just your home, such as your auto or umbrella coverage. If your vehicle is used in your business, your personal auto policy may also contain exclusions.

- Are you a real estate agent who transports clients to view homes?
- Do you deliver products with your vehicle?
- Do you transport children to school or for outings related to your business?
- Do you provide snowplowing or offer light hauling services?

The first example may likely be covered under your regular personal auto policy with an additional charge, but many other situations may require a separate commercial auto policy.