

A broken window saved Beverley Williams' fledgling home-based business. And what she learned could save your business, too.

Here's what happened. One day a passing truck rattled loose a cracked window above Williams' front door. Jagged glass rained down on the walkway often used by the clients of Williams' new desktop publishing service.

"I was shaken by the fact that if someone had been standing there at the time, they would have been seriously injured," she said. "That's when I found out that if someone had been there because of my business, we would not have been covered by our homeowners insurance."

So Williams purchased additional coverage for her homeowners insurance policy to protect her business. Six months later, lightning struck her Maryland home, frying \$8,000 worth of office electronics.

"If that glass hadn't fallen, I wouldn't have called my insurance agent, I wouldn't have known that my office wasn't covered, and we would have had a catastrophe (after the lightning strike)," Williams says. "I would have been out of business."

Instead, her homeowners policy covered the cost of each piece of damaged equipment.

Growing trend

According to the federal government's Small Business Administration, 53 percent of all small businesses operate from a private home. ERIE agent Peter Wallin of Elmira, N.Y., thinks high-tech communications and the Internet are making it possible for more people to become self-employed by offering services that easily can be provided out of a basement or spare bedroom.

As Beverley Williams discovered, a home-based business creates a unique need for business personal property and business liability insurance. Most standard homeowners policies do not extend adequate coverage for a home-based business located in a person's home or other buildings located on the premises, says Terry McConnell, ERIE vice president and manager, Personal Lines Underwriting.

"In particular, you are creating a premises liability exposure for your home," McConnell says. "What if someone is visiting your business and trips and falls or slips on an icy step? Because the exposure was created by a home-based business, it would not be covered by a traditional homeowners policy. What about the business' office equipment, computers, or inventory? You might have limited coverage, but many people need protection beyond that limit."



Doing Your Homework

Make sure your home-based business is covered

Affordable peace of mind

The simplest way to address a home business' liability exposure is through an Incidental Business Endorsement. The endorsement is added to an existing ERIE policy for an additional \$20 to \$60 annual premium, depending on the type of business.

"It's cheap," Wallin says. "When policyholders call us to say that they are starting a home-based business, we explain what the need is, how important it is to have coverage, and how simple and cost-effective it is to add. Most policyholders have no problem purchasing the endorsement, because they know it means they are taking care of their business and their financial security."

Incidental Businesses Endorsements cover 50 different classes of business, mostly small offices and service providers. For the more sophisticated home business—one with pricey equipment, or employees—commercial coverage is available for 150 additional types of occupations. Commercial coverage is provided under ERIE's UltraPackSM policy. The average UltraPack policy premium is \$860, with minimum premiums ranging from \$175 to \$400, depending on the class of business. For most classes of business, neither policy covers professional liability, commonly referred to as "malpractice."

Because of the home-business boom, more agents are taking a proactive role to make sure their clients are adequately covered.

"I don't think most people deliberately try to hide their businesses, they just don't think about the liability," said Cheryl Coleman, an ERIE agent at Coleman Insurance Services of Stokesdale, N.C. "They know the house could burn and they have coverage for that, but not for the liability exposure a business creates. That's the thing that scares me, because of our legal system and its ability to hand out big personal injury settlements."

Ask questions

Beverly Williams' desktop publishing business thrived after the lightning strike. She went on to launch the nonprofit American Association of Home-Based Businesses and co-authored *The 30-Second Commute: The Ultimate Guide to Starting and Operating a Home-Based Business* (McGraw-Hill, 2004). She has since traded publishing for consulting, giving workshops on the ins and outs of working from home for small business organizations, chambers of commerce and colleges.

"One of the issues I talk about in my workshops and classes is insurance," she said. "There's often an assumption that homeowners insurance will cover

What else you should know

- Clients may expect you to provide proof of insurance, particularly if you work on site. Craft fairs and art shows sometimes insist on coverage.
- You may need a business rating for your auto insurance. This typically adds less than 25 percent to your premium.
- Jobs often performed by children such as babysitting, mowing grass and newspaper delivery usually enjoy limited coverage under traditional homeowners policies.

But when does babysitting turn into a day care situation?

"At some point you move beyond babysitting and into a daycare exposure which is not covered by your home protector policy," says ERIE's Terry McConnell. "Your agent can help you assess your risk." •

everything people do in their homes, including a business. I tell them, 'No assumptions. Ask questions about your policy.'" •

Writer Christine McCammon runs a home-based business in Erie, Pa.

This article provided courtesy of your ERIE Agent.

Reprinted from the Winter/Spring '06 issue of *In Sync*, a consumer safety and insurance information magazine distributed as a service to Erie Insurance customers.

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