

## Ask SCORE

*I started a medical records transcription service about six months ago, which I operate from my home. Business has been very good. Recently, a client brought up the subject of business insurance. Do I really need it and, if so, what type of coverage?*

Operating a small business from home can free entrepreneurs from the costs of leasing space and commuting. But too many of them may shortchange themselves when it comes to buying insurance.

A recent survey commissioned by the Independent Insurance Agents & Brokers of America (IIABA) found that nearly 60 percent of the nation's 11 million home-based businesses do not have insurance coverage. Of those entrepreneurs, nearly 40 percent thought they are already protected by some other type of coverage, while almost 30 percent said their businesses are too small to insure.

Madelyn Flannagan, IIABA's vice president of education and research, explains that home-based business owners are at risk for significant financial losses associated with theft, accidental damage, natural disasters, vehicle accidents, and liability if an employee suffers an injury while on the job or a business guest is hurt while visiting the home-based business.

"Homeowners' insurance normally does not provide protection in these situations," she says. "Investing in protection can provide security and peace of mind as a business grows and produces more income."

To protect home-based businesses, IIABA offers the following tips:

- **Check your homeowners' policy.** Homeowners' insurance was never meant to cover business exposures. Coverage for certain business items is limited, and homeowners' coverage provides no liability insurance for home-based businesses. Additionally, a homeowner's policy affords no business interruption coverage in the event that a loss causes a home-based business to cease operations. However, a home-based business owner may be able to obtain an endorsement to add these coverages to an existing homeowners' policy.

- **Check business insurance policy options.** There are several options for home-based businesses, including incidental business endorsement, a business owner's package policy, or an in-home business owner's policy. Flannagan says that while levels of coverage and premiums depend on the risk associated with each business, "a comprehensive commercial policy can cost a home-based business as little as \$250 a year."

- **Protect yourself.** If a home-based business is a full-time occupation, business owners must consider protections such as life, health, and disability insurance, and workers' compensation.

"An independent insurance agent can help identify risk areas and provide guidance for finding the appropriate coverage to protect you, your family, and your business," Flannagan says. More information on insurance for home-based businesses is available at [www.independentagent.com](http://www.independentagent.com) or [www.TrustedChoice.com](http://www.TrustedChoice.com).

*This column is brought to you by the Southern New Hampshire Chapter of SCORE, with more than 65 current and former business executives available to provide free, confidential, one-on-one business counseling and training workshops for area businesses. Call 603-666-7561 or visit [www.score-manchester.org](http://www.score-manchester.org) for information on counseling, upcoming workshops and volunteer opportunities. SCORE is a national, non-profit organization and a resource partner of the U. S. Small Business Administration.*

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