

RISKS THAT COULD
THREATEN YOUR
HOME-BASED
BUSINESS

...and what you can do to
protect yourself from them.

As a young girl from Kansas once said,

“THERE’S NO
PLACE LIKE
HOME.”

That’s especially true if you run a business from home! Running a home-based business may be a dream come true, but it comes with its own set of risks. These risks can be costly, and your standard home insurance policy may not cover the costs.



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WHAT RISKS COULD WREAK HAVOC ON YOUR HOME-BASED BUSINESS?

You might be asking, “If I’m running my business from home – a place I know like the back of my hand – what could possibly go wrong?” Well, let’s pull back the curtain and look at some common risks that could impact your business, your home, and your bottom line.

A SUDDEN DISASTER DEVASTATES YOUR HOME

Even if you prepare for the worst, your home could always get hit by unexpected disasters, such as fires, storms, and thieves... oh my! According to our internal claims data, here are the top three causes of property damage to small businesses, and how much expense they can incur:

- A fire can cost small businesses an average of \$95,000*, with some claims costing as much as \$860,000*
- Water-related disasters can cost small businesses an average of \$19,000*, with damages reaching as high as \$305,000*
- Theft can cost small businesses an average of \$12,000*, with damages reaching as high as \$153,000*

In scenarios like these, your home insurance would likely help you cover the cost of the damage incurred. But these scenarios would require extensive repairs and could force you to temporarily close your business. Our internal claims data reveals that fires causing \$36,000* in damage can keep a small business closed for an average of six months! While repairs are being made to your home, your home-based business’ net income stream could stop, or be greatly reduced while you take care of repairs. Your bills, payroll, and other ongoing business expenses would start to pile up quickly, and your home insurance policy likely won’t help cover these costs. Unfortunately, many businesses aren’t able to bounce back from situations like these; as many as [40% of businesses](#) don’t recover after a disaster.

* Northbridge Financial Corporation internal claims data from 2018.

A CUSTOMER CATCHES A MISTAKE IN YOUR WORK

If you consult, design, or provide any type of service to clients from your home, you know that mistakes sometimes happen. These mistakes could cost you and your business a hefty sum. If a client suffers a loss because of errors in your work, they could file a costly lawsuit against your small business. Our data shows that lawsuits stemming from faulty work can cost small businesses an average of \$14,000*; some lawsuits can cost over \$150,000!*

If you're a marketing consultant, a client could claim that your poor advice caused damage to their business. If you run a hair salon, a customer might be extremely unhappy with their new hairdo. In any of these scenarios, an unhappy customer can quickly turn into a one-person angry mob. Your home-based business could be exposed to costly lawsuits from these types of unhappy clients, and unfortunately, your home insurance policy likely won't cover the costs.

YOUR EYE-CATCHING INVENTORY GETS DAMAGED OR STOLEN

Holding on to inventory may be a crucial part of your business. Whether you sell trendy clothes, ruby slippers, or run a hair salon, you'll likely have inventory and other goods stashed in your garage or your basement. Like buried treasure, you want to protect your inventory at all costs. But also like buried treasure, your inventory can quickly be uncovered and exposed to unexpected scenarios, including fires and floods.

Your inventory isn't just exposed to the elements, though. If you accidentally leave your garage door open overnight, neighborhood hoodlums and burglars could sneak away with your goods. According to our internal claims data, **theft can cost small businesses an average of \$12,000* per claim, and in some instances, over \$150,000!*** In the two scenarios mentioned above, your standard home insurance policy may not cover the costs of replacing your lost business inventory.



Lawsuits stemming from faulty work can cost small businesses an average of \$14,000*; some lawsuits can cost over

\$150,000*

* Northbridge Financial Corporation internal claims data from 2018.



Most home insurance policies don't provide coverage if your specialized equipment at home gets damaged.

A VISITOR GETS UNEXPECTEDLY INJURED

A business isn't successful without customers, which means you might get regular visitors. Running a well-oiled business may mean attracting a good amount of foot traffic to your home, and with that comes opportunity for mishaps to happen.

Unexpected injuries that occur on your property can lead to costly lawsuits. A customer could trip over a rug in your home. A supplier stopping by might slip and fall on your icy front steps. Whether a slip, trip, or fall occurs, one bad accident can be pricey for you and your business. When a costly lawsuit stems from a slip-and-fall injury at your home, your home insurance policy likely won't cover it. Could you afford to cover the damages out of your own pocket?

YOUR ESSENTIAL BUSINESS EQUIPMENT BREAKS

Do you run a niche business from home? If so, you might use specialized equipment to make products or service your customers. For instance, you might use a screen printer in your basement to create custom-made t-shirts or artwork. Or you may have heavy equipment in the garage for your woodworking business. Regardless of what equipment you use, you should make sure it has the protection that it deserves.

The equipment you use for your home-based business could suffer damage from a number of angles. These damages could be from external sources, such as fire, flooding, and storms. They could also be from internal issues, such as mechanical or electrical breakdowns. You might think that your equipment is covered under warranty, but these warranties can be very selective on what is and isn't covered. Situations like human error are often not covered by warranty.

You might also think that your home insurance policy will cover equipment, but most home insurance policies don't provide coverage if your specialized equipment at home gets damaged. If your equipment gets damaged or breaks down, you might have to foot the bill to replace it.

WHY ISN'T YOUR STANDARD HOME INSURANCE POLICY ENOUGH TO PROTECT YOUR HOME-BASED BUSINESS?

The truth is, your home insurance policy is likely missing key coverages you need to protect your business and its assets. Your standard home insurance policy won't cover common risks and scenarios business owners like you may face, including:

- If a visitor slips and falls on your property, including both inside and outside of your home
- If you damage a customer's property, such as their car
- If your business inventory gets damaged or stolen
- If your expensive business equipment gets damaged or stolen
- If your business equipment causes an electrical fire or similar disaster
- If your business needs to temporarily close after a sudden disaster
- If a customer files a lawsuit against you and your business
- If a product you make or sell causes bodily injury or property damage

Here's the worst part: if your home insurance provider doesn't know about your home-based business, they might not even cover your home at all in the event of a disaster. Business-related risks like some of the ones above could cause damage to your property, and if your home insurance provider isn't aware of these additional risks, they might invalidate your home insurance policy and leave you without any home coverage.

To keep your business, your home, and your bottom line properly protected, you should have the right business insurance coverage in place.



WHAT'S THE SOLUTION? HOME-BASED BUSINESS INSURANCE



WHAT IS HOME-BASED BUSINESS INSURANCE?

Home-based business insurance is designed to help protect your business and your home from risks that aren't covered in a standard home insurance policy.

Having home-based business insurance will help cover your equipment and inventory in the event of an accident. It will also help ensure that your home insurance policy isn't rendered void if your home is hit by unexpected damages. But wait, there's more!

Home-based business insurance doesn't just help cover your property. Coverages included in your home-based business insurance policy will also help protect you from many liability incidents you may face. Slip-and-fall accidents, damage to other people's property, and mistakes in your work could all lead to costly lawsuits. These could bruise your business and put a dent in your wallet. With liability coverage in place, home-based business insurance can help you roll with the punches and protect your wallet.

WHAT ARE THE DIFFERENCES BETWEEN HOME INSURANCE AND HOME-BASED BUSINESS INSURANCE?

| | Covered by standard home insurance policies | Covered by TruShield home-based business insurance policies |
|--------------------------------------|---|---|
| Expensive business equipment | ? | ✓ |
| Liability from product or operations | ⊘ | ✓ |
| Business interruption | ⊘ | ✓ |
| Inventory | ⊘ | ✓ |
| Visitor slip and fall | ? | ✓ |
| Legal expense | ⊘ | ✓ |

THESE COVERAGES CAN HELP YOU PROTECT YOUR HOME-BASED BUSINESS

Here are some crucial features to look for in any home-based business insurance policy:

WHAT IS COMMERCIAL LIABILITY INSURANCE?

Commercial general liability coverage, or [CGL insurance](#), is designed to cover damages if you're found legally liable for bodily injury or property damage to a third party. For example, if a customer trips over a loose rug in your home and injures themselves, CGL insurance can help cover your legal costs and any damages you're required to pay to the injured customer.

CGL insurance is also usually required if you want to participate in tradeshows, farmers markets, and similar events. This means your business isn't stuck at home; you can take it out on the road too!

WHAT IS COMMERCIAL PROPERTY INSURANCE?

[Commercial property insurance](#) can help protect your business contents if they're damaged or lost. Business contents includes your inventory, your electronics, and any specialized equipment you use for your business operations.

If your equipment gets damaged by a fire, this coverage can help cover the repair costs needed to get your equipment back up and running. If your inventory gets stolen by burglars, this coverage can also help with the replacement costs needed to restock your inventory. Commercial property insurance also covers things outside of your home, including outdoor signs, fencing, and landscaping. With commercial property insurance, you can make sure that your home-based business is properly protected, inside and out.



WHAT IS BUSINESS INTERRUPTION INSURANCE?

If your home suffers from a sudden disaster, [business interruption insurance](#) can help you recover lost business income and pay for ongoing business expenses while your home is being repaired. Sudden disasters can come in many forms. For some small business owners in Hamilton, Ontario, their sudden disaster came in the form of vandals causing an estimated [\\$100,000](#) worth of damage to their business premises.

If your home gets damaged by a sudden disaster, it may take time to restore it to a functional state. If extensive repairs require you to temporarily close your home-based business, you'll lose out on the crucial business income you need to pay bills, maintain inventory, and cover other expenses. Business interruption insurance will help you cover your ongoing business expenses, including:

- Payroll for your employees
- Other expenses, such as alarm monitoring and property taxes

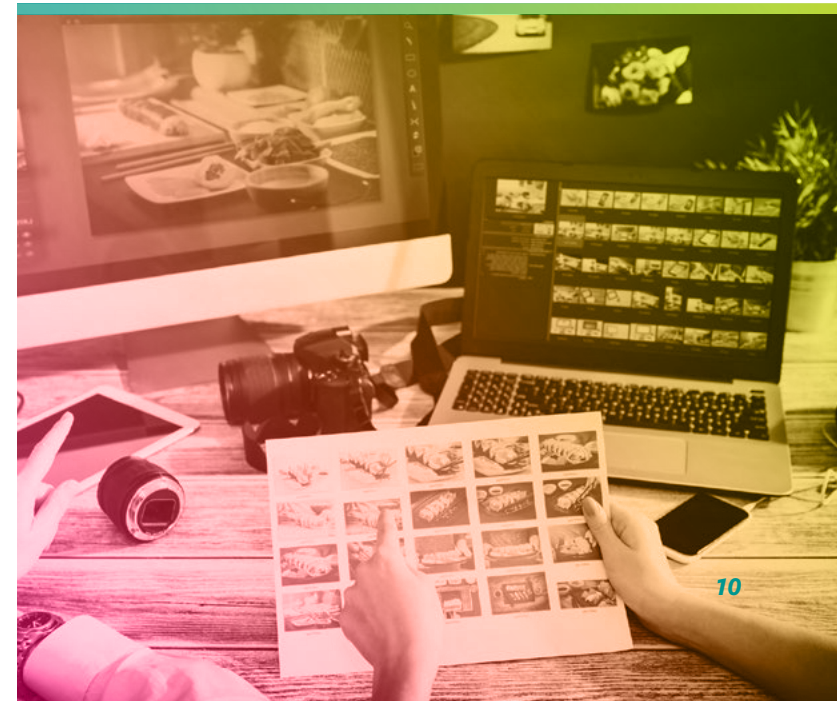
Business interruption insurance can give you peace of mind and help pay for your expenses, so you can focus on getting your business up and running again.

WHAT IS PROFESSIONAL LIABILITY INSURANCE?

[Professional liability insurance](#) can help protect you if a client holds you responsible for errors in your work. For example, if you're a graphic designer, and a client claims that you forgot to remove a copyright or watermark from their design, they could sue you for damages. If you're a photographer, and a client believes that they suffered a loss because your work didn't meet their requirements, they could file a costly lawsuit.

Professional liability insurance is designed to protect professionals who provide paid services from costly client lawsuits. Even if you run your professional services business from home, this coverage ensures that you have the protection you need to confidently serve your clients.

If you're a photographer, and a client believes that they suffered a loss because your work didn't meet their requirements, they could file a costly lawsuit.





THE TRUSHIELD DIFFERENCE

When you choose TruShield to provide you with home-based business insurance, you'll gain a flexible policy that fits the needs of your business. One thing that sets TruShield apart is our value-added services. These useful perks help take your policy to the next level at no additional cost to you, and allow us to be there for your business every step of the way—before, during and after a claim.

LEGAL EXPENSE INSURANCE

Despite running a business from home, you're still exposed to legal risks -- more than you might think. Lawsuits can be a costly and time-consuming process, so it's better to avoid one before it happens. TruShield can help with that.

Each TruShield policy includes up to \$50,000 of legal expense insurance coverage to help cover legal costs associated with a variety of issues your business could face.¹ You'll also have unlimited telephone access to general legal advice to discuss any legal matters related to your business.² This can help small business owners better navigate their legal options and help them avoid difficult and costly lawsuits before they occur.

RISK MANAGEMENT ASSIST

Wouldn't it be great if you could stop a loss before it happens? Our Risk Management Assist program gives you access to our team of Risk Services Specialists who can provide professional guidance on risk management and loss prevention planning.³ This advice can help you effectively manage risks within your business that you may not have been aware of.

24/7 CLAIMS SERVICE

Our 24/7 Claims Service is available for you 24 hours a day, every day of the week -- just like the name promises! Our dedicated claims representatives will help you make a claim settlement with ease and without undue stress, giving you peace of mind when you need it the most.

TRAUMA ASSIST

Suffering a loss is not an easy experience. Our Trauma Assist program is designed to help both business owners and employees cope with the emotional effects of a loss.⁴ Through independent third-party professionals, we're able to offer personal one-on-one telephone or in-office counselling as well as critical incident stress management for groups. All our Trauma Assist services are strictly confidential.



YOUR NEXT STEPS

If you run a home-based business, it's incredibly important that you have the right protection in place to safeguard your business in difficult times. If you're reluctant to take on the expense, you might be surprised at how little it costs to properly protect your business.

TruShield has flexible policies with the coverages you need to stay protected. To learn more about our offerings and how we can help your business achieve its potential, contact us today!

[trushieldinsurance.com](https://www.trushieldinsurance.com)

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¹ Legal expense insurance is underwritten by **Temple Insurance Company**.

² Legal assist services are not provided for criminal, personal or insurance issues, do not provide representation in legal proceedings or legal fees coverage, and are provided by Assistenza International, through lawyers licensed in your jurisdiction.

³ Risk Management Assist provided by our Risk Services specialists and is intended to augment your internal safety, compliance and risk management practices, and is not a substitute for professional or legal advice.

⁴ Trauma Assist provided by independent third-party professionals – long-term and specialized counseling not included. Services are not an insurance policy, and not all policies are eligible. Contact us for details.