

Which *Business Insurance* is Right for Your *Craft Business?*

by Paul Harris

Finding business insurance that's "just right" for your art or craft business can make you feel a bit like Goldilocks (of the Three Bears fame). Having too little or the wrong type of coverage could be disastrous for your business; paying too much for your coverage because the insurer lumps you in with bigger businesses can be just as bad.

Luckily, your search for the right business insurance can have a happy ending. All it takes is a little understanding of the different types of available coverage and a good assessment of your art/craft business needs.

Depending upon whether your art/craft business is a part-time endeavor run by one person, or a full-time operation with several employees, your business insurance needs can typically be handled by one or more of the following four types of policies:

- ◆ Homeowners Policy
- ◆ In-Home Business Policy
- ◆ Business Owners Policy
- ◆ Event/Show Insurance

It is very important to make sure you have the right kind of policy and coverage for your business. Each of these policies fulfills a certain need and has its place. Let's take a quick look at each one and learn about the factors that may help determine what coverage is best for your art/craft business.

Homeowners Policy

It's common for people to run art/craft businesses from their homes or apartments. While they may assume their homeowners policy will cover their business, most home-based business owners are unaware that a homeowners or renters policy probably does not cover their business. A typical homeowners policy provides only minimal coverage for business equipment and doesn't offer any coverage for liability, business interruption and business activities that take place outside your home (such as craft shows). That means you're likely not covered adequately if your equipment or inventory is damaged, lost or stolen, or if a customer visiting your home slips and falls, resulting in an injury.

Your homeowners policy might let you add an endorsement to increase the business equipment limit. Still, that limit may not be adequate to cover the true value, and it will generally exclude any type of business-related liability, or will only cover on-premise occurrences, leaving you without liability coverage at craft shows and other events away from your home.

Overall, you may find that a homeowners policy is not the best choice to protect your business risk. Fortunately, you have other options.

In-Home Business Policy

If you operate an art/crafts business from your home, you may want to consider an in-home business policy. This is a policy you purchase separately from your homeowners coverage. These policies are designed specifically to handle the business insurance needs of a home-based business and cover business personal property (equipment, inventory and supplies) and business-related liability. In addition, an in-home business policy can provide coverage for lost income and the loss of valuable papers and records that occur as the result of a covered loss.

An in-home business policy provides coverage for losses or damage from business activities conducted in your home or off-site at some other location. That means your coverage can extend beyond the boundary of your home to include protection for your business property while you are in transit and provides liability coverage when you are performing business-related activities at a craft show or someone else's residence.

Better in-home business policies are reasonably priced, starting at around \$150 per year for \$300,000 in general liability and \$5,000 in property coverage for your business. Depending on your business needs, higher levels of coverage are available. You should know rates will vary from state to state, and not all types of home-based businesses will qualify for this coverage.

The in-home business policy strikes a good balance in giving you most of the features of a business owners

policy, but at an affordable premium amount, provided your business qualifies.

Business Owners Policy

A business owners policy (often referred to as a BOP) is the most comprehensive solution to insuring your business. This is what a full-time business owner with a storefront will often secure to insure their business. The BOP was designed as a commercial insurance solution for small and mid-sized businesses. This type of policy should be considered if a home-based art/craft business operates from multiple locations or manufactures or keeps business property at a location other than one's home. For example, if your home-based business uses an off-site storage facility for inventory and supplies, then you probably need a BOP to make sure you have proper coverage.

The coverage on an in-home business policy and a traditional BOP will be very similar. The key differences are that the BOP may offer higher limits and broader eligibility. That broader eligibility also means a higher minimum premium—usually starting at around \$1,000 per year.

Event/Show Insurance

Most craft show and festival promoters require exhibitors at these events to carry liability coverage that protects you (and them) in case an accident happens and someone is injured during the event. The amount of liability coverage needed will vary from one show to another; however, \$1 million in coverage is fairly standard at a cost of about \$100 to \$200 per event.

You can usually get that level of liability coverage from your in-home business policy or BOP, so you may already meet the liability needs for the art or craft shows you plan to attend. If so, you would not be required to purchase additional insurance for each show. Be sure to check each show's liability insurance requirements ahead of time to make sure you get the proper coverage.

Important Factors to Consider

Now that you know the four main types of insurance available for your business, here are some important items to consider or questions to ask yourself which can help determine the type of coverage your art/craft business can or should have.

Location

Where your business is located is a very important factor. Is it at home, a studio or store? Also, is all of your business property kept at home? Or do you have business property that's kept at a storage facility or some other location? If all of your business property is located in your home, then you may qualify for an in-home policy. If you run a store or keep materials somewhere other than your home, you probably need a BOP.

Type of Business

The type of business you operate can affect the type of policy or coverage you can buy or receive. For example, some business insurance policies may not cover handmade toys. And some policies may exclude candle making. As a general rule, be as specific as possible when talking to your insurance agent about the nature and scope of your business. Your insurance agent can help you determine what's best for you and make sure your business is properly categorized.



How much you sell will also make a difference in both eligibility and rates. This is usually determined in terms of annual sales volume.

Value of Business Personal Property

Smaller businesses with up to \$100,000 of business property will often get a better price on an in-home business policy. For higher limits of coverage, a BOP policy will be the better choice.

Be sure to purchase coverage limits equal to the full value of your business property. Your policy may not make full payment if you don't. This is another reason why it's important to regularly talk with your insurance agent and update coverage levels as your business changes.

Do your research

Armed with this information, you can find the right insurance coverage for your business. You can learn more about in-home business coverage and other insurance options by searching online and then by talking to an insurance agent about your business and your needs. **TCR**

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