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"Home Sweet Home" - and Business Use Too!!!

Home Business and business use of premises has increased significantly and will continue to do so with our modern electronic technology. Policy definitions vary between insurers with regard to business property and business pursuits. The broker may be exposed to a claim denial for a business use and a possible E R O situation. Lack of knowledge by the broker of the client's business activities may not be a defense if the broker did not bring to the client's attention the applicable exclusions in the policy.

One area that is not well defined is when a personal activity or hobby becomes a "business". If an amateur photographer is asked by a friend to photograph a family wedding, does that make his venture a "business"? If someone trips over his tripod at the church does his personal liability NOT apply because of a business pursuit? I would hope not!!! One insurer has defined the business to be one that earns an annual income in excess of a dollar amount. A great idea!!

The various insurer wordings vary but here are some of the exclusions:

No coverage to any building used in whole or in part for business unless declared No business or occupational pursuits are conducted on the premise No coverage to buildings unless the business is incidental Books, tools & instruments limited to a dollar limit and covered only on the residence premises

Liability wordings may contain the following clauses:

Excludes liability on or off premises for business pursuits except- salespersons, collectors, messengers, once workers, teachers Excludes any continuous or regular pursuit undertaken for financial gain unless declared in the declaration Policy Warranty: "No business or occupational pursuits are conducted on the premises Business pursuits excluded except as defined as incidental and at the residence only

The Home business endorsements can address all of the above exclusions by offering both property and liability coverages on or off the premises.

I recently learned that a direct writer had a unique way of handling a business venture. They deleted all the exclusions relating to business or business use in both the property and liability sections! At first glance, I initially thought this was an excellent idea. But suppose your client sold a product or performed services away from the residence? The Personal Liability, even with the deletion of business exclusions does not cover Products and Completed Operations. The Home Business extension endorsements will, and many times also include Personal Injury (libel, slander etc.) and Advertisers Liability. The liability coverage is like a mini CGL.

The broker should get to know the clients interests with the possibility of uncovering an activity that an insurer may define as business. The client may not realize that his activities may be

defined as business and resultant claims may not be covered. If here is a "Grey area" as regard to a possible business exposure, clarify the situation in writing with the underwriter. It may also be a good idea to make your clients aware of these business exclusions that may apply to both full and part-time activities. Several insurers have introduced good brochures for this purpose. Use them - - they may prevent an E A O to say nothing of adding an additional premium!

Some franchised business pursuits with products being demonstrated and distributed "off premises" may indicate that the parent company supplies coverage to the franchisee. This may be for both property (stock, samples etc.) and liability including product liability. The client may still have a problem with his own insurer and should at least declare the business use or office exposure on his Homeowners declaration.

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