



## Business Use of Home and Auto

### What you need to know...

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When using your home or auto (or boat) in your profession, occupation or trade, insurance carriers label this as “**business use.**” Running a business out of the home, working from home, or using your personal auto while you work means care must be taken to make sure insurance is in place for all involved. If the situation is not reviewed closely, it is a certainty that gaps exist.

Questions to review:

- *What will an individual’s personal insurance policies provide in terms of protection?*
- *What changes should be made to personal policies when personal assets such as homes or autos are used for business?*
- *What changes should be made to commercial policies when personal homes and autos are used or if business vehicles are provided to employees for personal use?*

Before reviewing any insurance policy it is critical to remember all personal insurance applications ask if the insurance being sought will be exposed to any business activity. In conjunction with these questions are conditions spelled out in the policies that state the consequences not disclosing full information.

The homeowner’s policy states that misrepresentation will void the entire policy while the auto policy states misrepresentation will limit coverage to the minimal statutory limits. Misleading or not fully disclosing information to a carrier is the equivalent of allowing them to not pay a claim. It is not worth doing.



**What will personal insurance policies provide in terms of protection?** Not much.

#### Home

The homeowner policy property section will provide the following:

- Dwelling coverage is questionable unless carrier approves business activity in the home.
- Other Structure coverage is forfeited. If working from unattached garage or barn, there is no structure coverage if the structure is used for business purposes.
- Personal Property used for business will be covered up to \$2,500 at premises.
- Property used for business will be covered up to \$250 away from premises.

Other coverage normal to a business policy are not provided by a homeowners policy, therefore the business property coverage needs are largely uncovered.

The homeowner liability section rules out coverage for bodily injury or property damage arising out of or in connection with a business engaged in by an “insured.” *Business is defined in Definitions Section as: “trade, profession or occupation.”*

The homeowner policy makes it clear it is not there to protect business assets or liabilities.

#### Auto

The MA Auto policy is tricky. The actual policy does not speak to the business use, however the MA Auto application does. The question of business use is asked and the policy states similarly to the homeowner policy that misleading information allows coverage payment to statutory coverage only. So a \$250,000 bodily injury limit would be reduced to \$20,000 and property damage to \$5,000 plus the loss of Comprehensive and Collision coverage.

It is easy to understand people being confused on the business use question. The carrier wants to know if the auto is used during the day while one is working (as opposed to the vehicle being a work vehicle such as a truck). Business appointments (remember this includes all occupations), paper route deliveries or even errands for your company must be considered business use and therefore reported.

***What changes should be made to personal policies?*****Home**

- Obtain Permitted Occupancy Endorsement from carrier allowing operation of the business from the home.
- The Other Structure will need to be insured on a Commercial Property policy.

**Auto**

- If using your auto in business, obtain **Business Class 30** coverage from the personal auto carrier.
- If using an auto provided by company in addition to owning a personal vehicle, obtain **Use of Other Auto** endorsement on personal auto policy.
- If using an auto provided by the business and there is not personal auto policy in the household, obtain **Named Non Owned** Personal Auto policy in your personal name.

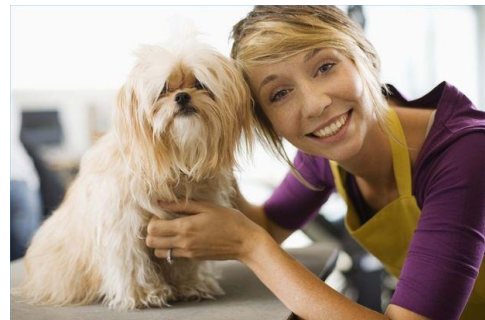
***What changes should be made to commercial policies when personal homes and autos are used or if business vehicles are provided to employees for personal use?***

- If homes are used for office locations as they are with virtual companies, the home address may need to be listed as a location on the property policy and any company property values insured, and;
- The Other Structure will need to be insured on a Commercial Property policy if used for business, and;
- Locations listed to provide General Liability as well.
- If using an auto provided by company and there is no other personal auto policy in the household, obtain **Drive Other Car** coverage on the commercial auto policy.
- If employees are using autos for their work, the commercial auto policy can be endorsed to include employees as insureds.

***What other policies are needed?***

The business entity or activity will need its own set of coverages underwritten as any business would.

When personal assets such as homes and autos are used for business activities it is critical to make sure the situation is reviewed thoroughly from both the personal and commercial side. These policies are not flexible but they can be crafted to meet the needs of a person using a personal home or auto in their profession, occupation or trade.



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