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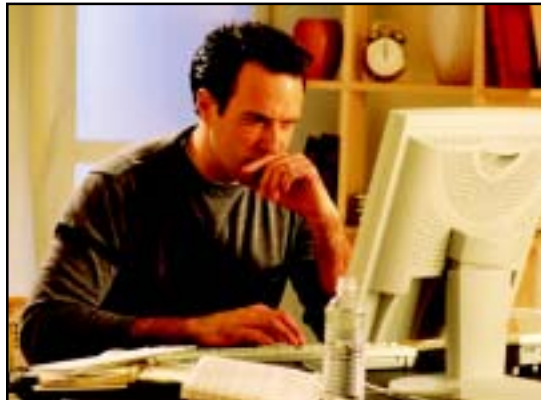
“Insure” success with your home-based business

Establishing a home-based business will inevitably affect your lifestyle. However, it is important to consider that it will also affect your insurance coverage—your **homeowners** or **renters policy** is *not* designed to protect your home-based business.

In general, homeowners policies provide limited coverage (typically around \$2,500) for business equipment, which may be inadequate for most high-end personal computers and printers. In addition, liability coverage is unlikely if someone is injured on your property during business hours. Also, income losses due to business interruption do not come under the purview of a homeowners policy. There are three basic ways you can help ensure adequate coverage for your home-based business: 1) obtain **endorsements**, or added coverage to your existing homeowners or renters policy; 2) buy an **in-home business policy** that specializes in business conducted from home; or 3) buy a **business owners policy (BOP)**.

*Homeowners Policy Endorsements*

Depending on the type of business you run, you may be able to



increase your homeowners policy limits for business equipment and general liability for a relatively small, additional premium. For example, if a courier slips on your icy front walk, a **liability endorsement** may protect you from responsibility for paying damages if legal action were taken against you. The type of business you operate may affect your insurability for liability protection using an endorsement.

While most homeowners policies protect against severe weather, not all types of damage are necessarily covered. Damage from wind, lightning, hail, and snow are generally included in the average homeowners policy; bear in mind, however, that most homeowners policies exclude flood coverage. If you are located in a flood zone, you may need to get a separate flood insurance policy.

*In-Home Business Policies*

For more comprehensive coverage, consider an in-home business policy. You can select higher limits for business property, as well as **business interruption coverage** that will provide for lost income and ongoing expenses if you are unable to operate your business because of damage to your home. This is in addition to several other business-related coverage features that are typically not available in a homeowners

# Did You Know

## Safety and teenage employees

Every industry has its unique occupational hazards. For instance, food service jobs may expose workers to slippery floors, hot cooking equipment, and sharp objects. Janitorial work may include contact with hazardous chemicals. Even retail workers may risk injury with duties that involve heavy lifting. Working teens may be more prone to accidents than older workers, given their relative immaturity and/or lack of experience.

Accordingly, it may be wise for business owners to brush up on the laws protecting the safety of working teens. For starters, employers are required by law to provide *all* workers, including teens, with the following:

- A safe and healthful workplace;
- Safety and health training, especially regarding chemicals; and
- Paid medical care and sick leave for certain job injuries.

### *Laws Regulate Ages, Hours, and Risks*

For teens in particular, federal and state labor laws generally regulate the number of hours, schedules, and types of work they are allowed to perform. Limitations for adolescents ages 14 and 15 may be more stringent than for those ages 16 and older. For instance, teens under age 16 may face restrictions on the maximum number of hours they can work each week—and within the week—depending on whether it is a school or weekend day, and depending on whether school is in

session or not. (However, the laws do make exceptions for students in work experience programs.)

Age limits are usually also set for dangerous work. For example, workers must generally be age 18 or older to drive a motor vehicle; operate most power equipment; and to work in certain occupations such as wrecking, excavation, and roofing. Typically, no one age 14 or 15 may work in construction; in warehouses; on ladders or scaffolds; baking or cooking; or unloading trucks, conveyor belts, or railroad cars. Restrictions for other types of work may also exist.

### *Practices to Help Prevent Injuries*

To encourage a safe work environment, employers should school teen workers in basic safety habits. Direct them to follow all safety rules and instructions and to wear protective gear, as needed. Point out that a *clean* and *tidy* work area is more likely to be a *safe* work area. Educate teens about how to handle an emergency, should one occur. Post safety and training materials in more than one language, if necessary, and inform teens to report safety and health hazards to their supervisors promptly.

With industry-specific health and safety training, and adherence to safety laws, many injuries among young workers can be prevented. For more information on the regulations, potential concerns, and liabilities of employing teens in your business and state, visit the Department of Labor (DOL) website at [www.dol.gov](http://www.dol.gov).



### *Technologically Advanced*

Just take a peek into any airport waiting area and you will probably witness many people talking on cell phones, using laptop computers and/or PDAs (personal digital assistants). However, the Consumer Electronics Association, as reported by *USA Today* (2002), states that only 11% of Americans actually own all three devices. The report also predicts that by 2010, half of the professional workforce will carry at least two “wireless devices.”

### *Small Business Survival*

Starting your own business may be an intimidating prospect. If you are considering opening your own small business, and are wondering what your chances are for survival, the Small Business Administration's Office of Advocacy (2002) reports that approximately 66% of “businesses with employees” continue operations beyond their first two years. Similarly, almost half remain open after four years. However, this figure drops by 10% following six years of origination.

### *Mixing Alcohol and Business*

While you may be aware of the dangers of alcohol, have you ever wondered how it may affect your small business? According to the Department of Labor (DOL, 2002), approximately 83% of employees—employed by companies with 500 or fewer employees—are considered to be heavy drinkers—having “five or more drinks on five or more occasions in the past month.” Similarly, the DOL also reports U.S. businesses lost almost 70 billion dollars of output in a single year due to the effects of alcohol on employees.

# For Your Information

## “Free for All”

The Small Business Administration’s (SBA) website has an online library of electronic publications free for all visitors. These resources may help budding entrepreneurs, as well as seasoned professionals getting ready to “close up shop.” The following are just a few of the available titles: *Marketing Strategies for Growing Businesses*; *Financing Your Small Business*; and *Problems in Managing a Family-Owned Business*. For a detailed list, visit the SBA online at [www.sba.gov](http://www.sba.gov).

## Business and the Internet

Due to technological advances, many small businesses now conduct much of their business using the Internet. The Library of Congress (LOC) recognizes this, and their website offers small businesses a number of resources to assist them. “*Netiquette’ for Doing Business on the Internet*” and “*Internet Business Directories*” are just a few of the tools that small business owners might find helpful. For more information, visit the LOC online at [www.loc.gov](http://www.loc.gov).

## Taxing Tools

As a small business owner, you may be constantly searching for tools to help keep your business thriving. Fortunately, the Internal Revenue Service (IRS) offers several products, free of charge, to help. Their *Virtual Small Business Workshop* allows you to download this resource that includes useful tax information. Some of the topics covered include record keeping and electronic filing. For more information, visit the IRS online at [www.irs.gov](http://www.irs.gov).

## How helpful are back support belts?

It may be customary in today’s workplace for employees to use back support belts to help prevent or minimize back injuries. While the use of these back belts seems to be popular, their effectiveness remains inconclusive.

Here is a brief overview of some recent studies regarding the use of back support belts.

**Open to Question.** The National Institute for Occupational Safety and Health (NIOSH, 2002) advises against the use of support belts as an *effective*

increase because employees believe the belts allow them to withstand even more weight. Furthermore, NIOSH advises employers to institute only a *voluntary* policy regarding employee use of back support belts.

**Positive Reinforcements.** On the other hand, public health researchers concluded in a 1999 study that wearing back belts actually reduced lower back injuries by 30%. Over a period of five years, researchers from the University of California at Los Angeles (UCLA) monitored injury records of 36,000 workers at 77 Home Depot stores. Workers participating in the study logged more than 100 million work hours, before and after the company instituted a back support policy.

Without back supports, workers suffered 31 back injuries for every one million hours worked. Likewise, the injury rate dropped to 20 injuries for every one

million work hours with the use of support belts. The greatest benefits were experienced among high-risk employees—men, age 25 and younger, and over age 65—whose job duties included frequent heavy lifting.

## Assessing Risk, Using Judgment

For the most part, the effectiveness of back belts is still unclear. Although an increasing number of employees are choosing to wear back belts today, it is important for them, as well as for management, to realize that back belts *alone* do not eliminate the need for sound ergonomic practices in the workplace.



means for avoiding back injury mainly because little evidence has surfaced to support or negate their value. Few studies are commissioned to show injury rates among workers using back belts, and those that are available are generally unreliable. In lieu of belts, NIOSH recommends instituting various ergonomics programs in the workplace to minimize risks of injury associated with heavy lifting, as well as other activities, and promote a safer environment.

Additionally, this agency cautions against the placebo effect that back belts may potentially have on workers. In some cases, injuries may actually



## The entrepreneur's dilemma

As larger corporations downsize to meet the competitive challenges of the early part of the 21<sup>st</sup> century, many middle managers are taking the opportunity to strike out on their own as consultants. They often seek independence and the satisfaction of working for themselves. Wouldn't everyone?

However, independence is a two-sided coin. The other side is responsibility. What used to be provided by the employer now becomes the self-employed's personal responsibility. This leaves the newly self-employed with some difficult choices. A self-employed person is often completely responsible for funding his or her retirement benefits, as well as health care, office expenses, and any vacation time. If your business is a one-person operation, then

paying yourself to go on vacation could cause some financial difficulty.

While each business is unique, it is important to understand that, if you have employees, you will have to allocate a percentage of revenues to cover those expenses. Setting aside sufficient cash reserves and avoiding excessive debt can help assure that funds will be available for employee benefits and general overhead. One way



to be sure these amounts accrue is to make cash deposits to a **reserve account** at the same time you pay quarterly estimated federal and state income taxes.

Professional input is vital for handling certain issues such as: Can expenses for a home office or a business be written off as tax deductible? Are group or association plans available for health and hospitalization insurance? What products are available to build your own retirement? Can those products be provided by a **tax-sheltered qualified plan**?

All these questions need to be answered because the success of a small business depends not only on getting revenue, but also on allocating a portion of that revenue to the owner's future security.

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policy. For example, coverage may protect against the loss of important documents and records, accounts receivable, and off-site business property or equipment. Furthermore, the liability concerns for a home-based business owner are broader than the scope of a typical homeowners policy. An in-home business policy generally offers broad liability coverage for accidents that occur on and off the premises, as well as for legal action taken against you as a result of your business services or products.

### *Business Owners Policies (BOPs)*

Lastly, for business owners with more involved operations, including manufacturing and other operations outside the workplace, a BOP might be a better fit. BOPs generally include: coverage for a building and its contents; business interruption coverage in the event a catastrophe, such as a fire, forces operations to cease; and liability protection.

Typically, a BOP covers business property that is exposed to risks such as fire, smoke, hail, wind, theft, vandal-

ism, and some forms of water damage (for instance, from leaking roofs or broken pipes). Insurable property includes, but is not limited to, buildings, office furniture and equipment, machinery, inventory, and signs.

While you can increase your homeowners coverage to meet some of your business needs, insurance solely for your business does not replace coverage for your home. Contact one of our insurance professionals to help you assess *all* of your needs to determine the best course of action.