

# Homeowners 2000: The Definition Of “Business”

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The Homeowner’s definition of “business” is important because every time the term “business” is used in the policy, it is to exclude or limit coverage. Consequently, the broader the definition of “business,” the more restrictive is the coverage provided by the policy.

## The 1994 Homeowner’s Policy

The policy definition in the 1994 Homeowners policy reads: “Business includes trade, profession, or occupation.” This definition leaves the door open for broad interpretation because the use of the word “includes” always suggests “but is not limited to.”

When the courts are asked to determine if an activity is a business, they look at two primary factors: profit motive and continuity. The courts ask “Was there an intent to benefit financially?” and “Was it an on-going activity?”

## The 2000 Homeowner’s Policy

With the 2000 edition of the Homeowner policy, the definition of “business” has been expanded. It now contains two parts:

- a. Business “means a trade, profession or occupation,” regardless if it is done on a full time, part time, or occasional basis.
- b. Business means “any other activity engaged in for money or other compensation.” Here the policy makes clear that bartering is the same as an exchange of money. This was not clear in previous editions of the policy.

The definition goes on to include some newly-added exceptions which would not be considered to be “business” exposures and thus would not be reached by the business exclusions or limitations found in the policy. With Homeowners 2000, the following are not “business” exposures:

### 1. Volunteer Activities

When there is no money received, other than payment for expenses incurred to perform the activity, it is not a business exposure.

### 2. Select Day Care Services

If daycare services are traded, with no money changing hands, it is not a business. Also, the rendering of home daycare services to a relative of an “insured” is not a business. These provisions were formerly found in the mandatory endorsement added to the 1994 policy to clarify that daycare is a business. They are now incorporated into the body of the Homeowners contract.

### 3. Minor Compensation

An activity for which “total compensation for the 12 months before the beginning of the policy period is not more than \$2000” is not considered a business. Here, the amount of money the insured makes

during the policy period is irrelevant. The determining factor is the historic earning. What exactly is included in “compensation” will probably be left to the courts, since the policy does not define the term.

**The Bottom Line**

With this revised definition of “business,” ISO has clarified that some minor exposures are not reached by the definition of “business” or by the exclusions and limitations of the policy. The clarification is a welcome relief to many agents and their clients.

Homeowners 2000: Changes in “Business”

Other Structures used in “Business”

Personal Property used in “Business”

The “Business” Liability Exclusion