

## Is Your Home-Based Business Prepared for the Worst?



Wes Baldwin

There are some folks who would argue that nothing beats working at home. But staying out of rush-hour traffic and acting as your own boss mean that you also have to take responsibility for things that you would otherwise leave to your employer. Without warning, your home – and your home-based business – could be destroyed by fire, flood, or other disaster. Is your business prepared for the worst?

First and most important, it's critical that you carry business insurance to cover your equipment, supplies and inventory. Many home-business owners assume that their homeowner's or renter's insurance will also cover their business, but that's not likely the case. Most homeowners' policies limit coverage to business items that are used sparingly at home, such as a computer for home budgeting. If you are working for a company that supplies you with equipment to work at home, it's equally important to determine who is responsible for the equipment in the event of damage or loss.

Make an appointment with your insurance agent today, to make sure your business-insurance coverage is adequate to cover all business property, including the costs of business interruption and loss of income.

Now, take it a step further. Document what you have invested in your home business by taking a complete and thorough inventory of all items, including their location, so they could be verified in the event a claim is filed. Be sure to record replacement value of all items, as well as serial and model numbers of any equipment and office furniture. Take photos of your work area, showing open cabinets, desk drawers, files, etc. Don't forget closets or other storage areas. If you have customers who visit your home business, be sure to photograph the exterior entrances and any common areas they must use to access your office.

Turn next to your paperwork. Make copies of all financial records, including tax returns, income statements, receivables, receipts, bank records, contracts and other vital information. A good way to do this is to scan them into your computer and then save them on a CD-ROM. Now find a secure location, away from your home (which is also your business) to store these records, such as a bank safety deposit box. Another possibility is in a locked and fireproof filing cabinet with a trusted relative living in another geographic location. At very least, maintain your files at home in a fireproof filing cabinet, making sure that it complies with any requirements stated in your insurance policy. And make sure you have a working Class "A" fire extinguisher in or near your home office.

So now you've prepared. But what happens if and when disaster strikes? It's most important to remain calm and level-headed and proceed with caution in the face of tragedy. Approach the situation intelligently and systematically, and consider engaging the services of a professional to help you navigate the days ahead.

Document your losses. Take photos immediately of everything, and clearly identify each item and its location. Don't delay, as you'll want to record losses that might later be concealed as you

protect your property from further damage. Even if a fire or other loss occurs in an area of your home away from where you conduct business, notify your business insurance carrier in the event that you need to later file a claim for smoke or water damage.

Maintain written records of all communication with your insurance company, claims adjuster or other key persons. Keep in mind that it is not the job of the insurance adjuster to help you discover items you may have missed or undervalued. The adjusters work on behalf of the insurance company, not the policyholder.

Consider professional assistance. If your home-based business has suffered a loss, it's highly likely that your home and personal belongings have also been damaged or destroyed. At best, your emotions are on edge. You can make sure someone is in your corner by hiring your own adjuster—a public insurance adjuster (check out The National Association of Public Insurance Adjusters at [www.napia.com](http://www.napia.com)). The public adjuster can help you prepare and present your claim to the insurance company, increasing the likelihood that you will receive a fair settlement for your loss and be able to rebuild your home-based business, your home and your life.

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