

Covering Your Assets

By Ramona Creel

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A major concern for small business owners is INSURANCE. As an entrepreneur, you should consider two basic types of coverage -- the first is insurance that protects you as an INDIVIDUAL. Self-employment is not synonymous with poor insurance coverage. In fact, some policies are more important now than ever. What happens if you become disabled and can't work anymore? How will you pay for an injury or serious illness? Most companies provide medical and disability insurance for their employees -- why shouldn't you do the same for yourself? You may be thinking that you can't afford the extensive personal insurance that your employer used to offer. This simply isn't true. In fact, there are a number of insurance options specially designed to be affordable for small business owners.

Other kinds of insurance protect your BUSINESS INTERESTS. Entrepreneurs face all sorts of liability issues that individuals never have to deal with. Being UNDER-INSURED in one of these situations could cause you to not only lose your business, but also your personal assets. One word of caution though -- don't fall into the trap of over-insuring yourself. Just because a policy exists, doesn't mean that you need it! You might choose to begin with a few critical policies, then add on as your business grows.

LIABILITY ISSUES

As a small business owner in an incredibly litigious society, you face LIABILITY issues every day. Every time you get in your car, visit a client's home or office, or even give advice, you put yourself at risk of being SUED. I am a professional organizer, and it's amazing how many ways my business can be vulnerable to a lawsuit. I might be sued by a client who was audited by the IRS and claims that I told him to throw out his old tax returns. The fact that I clearly state in my contract that my client is responsible for any decision to toss out a document doesn't protect me from a lawsuit. I could get into a car accident while on company business and find that both my business and personal assets are being dragged into court. Or I might be held responsible for breaking a valuable heirloom while working in a client's house. I even need an additional rider on my homeowner's insurance to cover business equipment in the case of a theft or disaster.

While you can never adequately imagine every scenario that might lead to a liability claim against you, you can take steps to cover yourself in the event of a lawsuit. And of course, every business is different. A retailer will need different insurance than a manufacturer or a service company. Here are some of the more common forms of liability insurance you might consider for your business.

- PROFESSIONAL LIABILITY (protects you against claims from a customer or client that you failed

to meet your professional obligations)

- ERRORS AND OMISSION (protects you against claims that you failed to inform a client of an important fact or piece of information)
- PRODUCT LIABILITY (protects you if a product you develop causes injury to a consumer)
- PROPERTY AND CASUALTY (protects you if a client experiences a loss, damage, or injury on your property -- not necessary if you visit your clients at their home or office but essential if client's come onsite)
- AUTOMOBILE LIABILITY (protects any clients or employees who might be injured while riding in your vehicle and covers any liability claims from another driver if you have an accident while on company business -- you might need additional rider on your personal policy to cover business use)
- UMBRELLA POLICY (covers any damages exceeding the limits of your other liability policies)

INSURING AGAINST LOSS OF INCOME

Now that you are responsible for your own income, it is 100 times more important that you consider what would happen if that income stream were cut off. Your income could stop for many reasons. You -- or a business partner -- could be INJURED or get SICK and become unable to work. You could find yourself in a situation where a partner dies and you are burdened with the sole responsibility for running your business (with half the resources and half the income-generating power). You could become temporarily preoccupied with a family or personal EMERGENCY that takes you away from your company for a period of time. A tornado could blow your office building away. The economy could take a nose-dive. Or think about the recent terrorist attack on September 11th -- you can never predict what tomorrow will bring.

This isn't intended to depress you about the future of your company. But it is designed to get you to start thinking in terms of protecting your income stream. As an entrepreneur, you are actually in a better position to plan for the unexpected than "Joe Employee" out there. And if you are INCORPORATED or plan to pass your company on to your HEIRS, you must treat your business as a separate entity that should be insured just like a person. Consider which of the following income-protection policies might be appropriate and useful to your business:

- BUSINESS LIFE (provides the funds to handle the transfer or dissolution of your business if you die)
- KEY MAN (protects you if your business partner dies or becomes disabled)
- DISABILITY INCOME (provides a continued income stream if you become disabled)
- BUSINESS INTERRUPTION (provides a continued income stream if operations are suspended due to emergency)

COVERING YOUR EQUIPMENT

You also want to make sure that your business PROPERTY is adequately insured -- especially if you work out of a home office. Too often, entrepreneurs choose to work out of their houses because of the low overhead and then fail to insure the thousands of dollars of computer and electronic equipment they buy. All it takes is a tornado or fire and you've more than made up for the savings of

working from your home. Most homeowner's and renter's policies will allow you to cover business equipment that is stored at your home, a rented apartment, or office -- as long as you purchase an additional RIDER for the coverage. And be sure to compile an INVENTORY -- complete with photos of your equipment, receipts, appraisals (if appropriate), and an estimate of the value. If you do ever have to file a property claim, you will need these supporting documents before your insurance company will pay for your losses.

But you also need to think about what happens if your property is damaged or stolen while on a customer's property -- or if your vehicle is damaged or stolen while on company business. Be sure that you are adequately protected under the following policies:

- HOMEOWNER'S INSURANCE (protects business equipment stored at your home -- you might need an additional rider, especially for computer equipment)
- RENTER'S INSURANCE (protects business equipment stored at a rented apartment or office you might need an additional rider, especially for computer equipment)
- AUTOMOBILE INSURANCE (protects your vehicle against damage or loss during business activity -- you might need additional rider)
- PROPERTY AND CASUALTY INSURANCE (protects you against claims of damage or loss on a client's property)
- UMBRELLA POLICY (covers damages exceeding the limits of other property protection policies)

Purchasing insurance doesn't have to be scary, overwhelming, or overly expensive -- as long as you are informed. Start off by knowing what types of coverage you need, and then contact your local insurance agent or search the web for the best quotes. Good luck!

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