



**If you need
it, do you
have it?**

Starting a business can be a massive undertaking requiring detailed planning, budgeting and decision making. With much to organise the importance of insurance and the types of insurance you need are often overlooked.

Every business has to deal with risk on a daily basis regardless of size and industry type. Having the appropriate insurance is **essential to managing that risk**. For small business and sole traders the risk of being uninsured at the time of an accident could be catastrophic.

Compulsory insurance

Compulsory insurance for Australian businesses includes:

- › **workers compensation** - if you employ people (through an approved insurer for your state)
- › **third party personal injury** - if you own a motor vehicle
- › **public liability** – for certain types of businesses, eg trades such as electrical and plumbing contractors. The minimum level of cover in Australia is \$5 million

Workers compensation will not cover YOU if you are self employed - you will require **accident and illness insurance** through a private insurer. If you are classed as an independent contractor you may also require your own accident or illness insurance.

Non-compulsory insurance

Various other types of insurance may not be compulsory, however **every business should consider insuring assets, revenue and liabilities** as protection against potential risks.

As a general rule your **business activities will help determine the types of insurance you require**, eg is your business factory/office based, online or home based? Do you sell products or services? Do you employ people?

Are you a sole trader or a company director? This is an important distinction from a liability perspective.

Asset protection

One of the key assets of your business is YOU so **personal risk insurance** should be a consideration for most business owners especially those who have dependants. Most of the common known insurances are:

Income protection insurance – covers part of your income if you can't work due to illness or accident

Trauma insurance – provides a lump

sum payment if diagnosed with a specified life threatening illness

Life insurance – provides a lump sum or series of payments to your partner/dependants if you die

Total and permanent disability insurance – provides a lump sum payment if you are totally and permanently disabled prior to retirement

Other insurance types include:

- › motor vehicle
- › building and contents
- › burglary
- › stock deterioration
- › fire and defined events
- › electronic equipment
- › goods in transit
- › property in transit, eg tools of trade
- › machinery breakdown
- › accidental glass breakage

Revenue protection

Apart from the life insurance options above you may also like to consider:

- › business interruption or loss of profits
- › business key person cover – provides a lump sum payment to cover the revenue of the key person if they die or are unable to work
- › employee dishonesty and fraud
- › money in transit/safe/office
- › tax audit – covers fees for tax audit or investigation

Liabilities protection

As a business owner you may be liable for damages or injuries to another person or property. Although mostly optional liability insurance cannot be ignored.

Types of liability insurance include:

- › **public liability** – protects the business if found liable for negligence
- › **professional indemnity** – protects professionals against liability such as breach of contract or mistakes during service provision. It can be industry specific.
- › **product liability** – if you sell, supply or deliver goods this protects against injury, death, damage etc as a result of product failure
- › **management liability** – against legal liability in connection with management of the company

In this litigious age the likelihood of being sued has increased and can be unpredictable and very costly.

Do you run your business from home?

If you do, then be aware that your existing homeowner policy may not cover you - or your clients and staff - in the event of an accident. This is a common mistake for many home based businesses.

Many policies don't cover tools of trade, office furniture and computer equipment used for business unless this has been agreed with the insurer.

It pays to read the product disclosure statement (PDS) or check with the insurer to ensure you have the right areas covered. The definition of certain terms such as flood, disasters and terrorism may vary amongst insurers. NEVER assume.

Good advice is essential. You can go directly to an insurer or you can seek assistance from a broker who may deal with a variety of insurers and have knowledge of a wide range of policies. Policies can also be 'bundled' to suit your specific business needs. It pays to be informed.



It is sometimes difficult to know what you NEED until you need it and you don't have it! Contact us and we would be happy to help or refer you to our preferred insurance specialist.