

# Introduction to Business Insurance

For SME Business Owners



For many small business owners Insurance is often a 'last minute' thought, usually prompted by a Landlord, Solicitor, Accountant or Financier who will ask, do you have it insured?

So how does a Business owner identify what insurance they need and how can you justify the upfront expense of what is often seen as a necessary evil?

The first and most important part of insurance is to know that Insurance is just a small part of your Risk Management Plan. So how do we make a Risk Management Plan for a Small Business?

## Step 1 – Identify all the Risks

This is the most important step, identifying all the risks, hazards and understanding what may go wrong. Whilst this sounds like an easy step, it is often easy to overlook a potential risk, particularly with your own business. For this step I would recommend brainstorming with a friend, colleague, accountant, or your Insurance Broker. For the best results, consider consulting a professional risk manager from the [RMIA](#).

*“The most important step...  
understanding what may go wrong”*

## Step 2 – Reduce the Risks or Make a Plan

Now that you have identified all the foreseeable things that may go wrong with your business, it is time to make an emergency plan of what to do if it happens. This is the time where you will need to know who to call in an emergency and list their contact details as part of the plan. This will help later when you need to explain to staff how to treat an emergency.

## Step 3 – Risk Transfer

You may have found it difficult to reduce all the risks under step 2 or to sufficiently plan around avoiding a disaster, and for these risks, these are the ones you should seek to insure or transfer the risk on first.

To help you we have prepared a summary of standard covers that may be suited to many SME operators.



## So what insurance is available?

The following insurances are typically available as optional covers that you can select under a “**Business Insurance Package**”.

**Fire & Perils Insurance** – This section is designed to cover actual physical loss or damage to your buildings, equipment or stock at the business location. Not all policies cover Flood, so if your business is near a creek or area that may flood, you should enquire as to whether your policy has Flood cover.

**Business Interruption Insurance** – As the name suggests, this cover is for the loss of income or profit your business sustains due to an interruption to your business. This is vital for any small business owner who relies on their business income as a sole source of income for their family. For most typical Business Insurance packages, this cover only applies after a claim under the Fire & Perils section and / or the Burglary Section Only. Specialist covers are available for loss of income after other events.

**Burglary Insurance** – Burglary cover as part of a Business Package usually covers theft of Stock or Equipment as a result of a forced or violent entry to or from the business location. It typically will not cover Shoplifting or Equipment / stock kept outside of a building in the open air (such as a display yard). If you need cover for this, be sure to ask as it is not standard.

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# Introduction to Business Insurance (Continued)



**Money Insurance** – Cover for the Money of the Business is more relevant for those business that carry volumes of cash. It can cover cash at the location, when being taken to or from the bank, and if it is stored at a private residence.

**Glass Insurance** – Glass insurance as the name suggests covers Plate Glass windows. However many do not know that it also covers any internal glass such as display cases, porcelain sinks and toilets and also for any external illuminated signage. For many SME operators who lease their premise, it may be a requirement of the lease to insure for plate glass. If you are a renter, you should consider checking your lease before taking or excluding this cover.

**Public & Products Liability Insurance** – This is perhaps the most common insurance that SME owners would know about, however it is often misunderstood. Public Liability is insurance for damage or injury to a *Third Party* as a result of the actions in business of you or your employees. Products Liability is damage or injury to a *Third Party* as a result of your products that you sell.

Liability cover does not cover injury to you or your employees. It does not cover advice that you give or professional services that may be offered on a fee for service. This can include a Mechanic offering a safety check where they don't actually work on the vehicle. For many professional operators a Professional Indemnity cover is also required.

**Employee Dishonesty or Fidelity** – This cover is available to protect a business owner from theft of goods or money by an Employee of the Business.

**Electronic Breakdown** – This cover is designed to replace electronic equipment such as a computer motherboard or hard disk after a failure has occurred. This can include additional cover for the cost of reinstating lost data.

**Machinery Breakdown** – This cover is for the rewinding or replacement of electric motors such as those found in fridges, air conditioning units, escalators, lifts and similar items. It is not really designed for modern assembly equipment where they rely on Computer Controlled or CAD components. For many manufacturing businesses, a specialist policy may be required to cover both mechanical and electrical components in the one policy.

**General Property Cover** – As the Fire & Burglary covers are designed to cover property at a fixed location, General Property is designed to cover special items that may be taken away from the main location, such as tools of trade, laptops, cameras, mobile phones, and salesperson sample bags.

**Transit Insurance** – Unlike General Property Insurance, this cover is designed to cover items when in transit from one fixed location to another. This is important for any business which is responsible for stock they have ordered from their suppliers, or if they are responsible for the delivery of stock to their customers. Specialist policies are available for companies with large volume transits.

**Tax Audit Insurance** – This cover is available as a policy in its own right or as part of some business packages. The cover is designed to pay the cost of a tax audit. It can be set up for the company only, or to include directors as well. It is important to ask for cover for the director's personal audits as it is not standard cover.

These covers are those typically available as part of a Business Insurance Package. However there are other insurances some SME operators should consider depending on their operation, these include but are not limited to:

- Workers Compensation (For Employers)
- Management Liability (for Employers)
- Statutory Liability
- Professional Indemnity Insurance

This document is General in the advice that it provides and is not specific to you and your needs. For personal advice for you and your business; Contact Affinity Insurance Services Pty Ltd on **1300 429 707**.