



BIZguides

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Insurance

Types of Insurance

There are many different types of insurance available for your business. Insurance can be divided into protection for three main categories: assets and revenue, liability, and employees. The following are some of the common types of cover available:

Assets and Revenue

Fire and Perils: Protection against loss or damage to buildings or contents caused by fire and other defined events (earthquakes, storm, malicious damage etc). Check your policy for the specific events covered as most policies exclude flood damage.

Ensure your policy includes a consequential loss clause which will provide compensation for loss of profits due to some interruption such as fire, delay, confiscation or detention by customs or other lawful authority, loss of market, lack of performance, loss of contract or depreciation in the value of land and stock.

General property: loss of or damage to or destruction of tangible property including any tools of trade, mobile phones, stock or office contents whether they are at the business premises or not.

Glass breakage: Cover for replacing or repairing accidental breakage to plate glass windows, glass display case or glass panels in refrigeration cabinets.

Electronic equipment: Provides cover for the loss or damage of electrical, electronic or mechanical items (computers, faxes, printers). It does not cover the cost of general wear and tear or preventative mechanical maintenance.

Machinery breakdown: Cover against unforeseen and sudden loss or damage to machinery, as well as business risk and liabilities relating to machine use. Also known as engineering equipment insurance.

Perishable food: Covers the loss of perishable food or other stock deterioration due to refrigeration breakdown or power failure.

Fusion insurance: Covers loss caused by damage to an electric motor by an electric current, and is particularly important for refrigerated stocks. (Sometimes an extension of fire and perils policy).

Damage to Goods: Protection for goods you are holding on behalf of customers or other goods otherwise in your possession that suffer damaged or loss due to negligence. Goods in transit insurance covers loss or damage of goods during inland transportation.

Export credit: Protects your foreign receivables against commercial and/or political risks which could result in non-payment of your invoices. It allows you to extend credit to qualified international buyers while reducing the risk of non-payment.

Marine insurance: Covers the loss or damage of ships, cargo, merchandise, terminals, and any property by which cargo is transferred, acquired, or held between the points of origin and final destination.

Fidelity guarantee (Employee dishonesty): covers against loss of money or goods due to misappropriation, fraud, embezzlement, theft or dishonesty. by employees.

Loss of money: Covers theft of cash and other negotiable instruments (cash cheques, postal orders) from business premises or while in transit to and from the bank.

Unregistered equipment: Covers against loss or damage to unregistered mobile machines such as backhoes, excavators and diggers. You'll need a separate third party liability policy for these vehicles if they temporarily go onto public roads.

Product recall: Provides cover for the costs of recalling a product known, or suspected to be, defective.

Trade credit: Provides protection against loss due to credit risks such as protracted default, debtor's insolvency or bankruptcy.

Loss of profit: Covers the loss of profits incurred in the event of some calamity which causes trading to cease.

Income protection insurance: Provides a replacement income of up to 75% of your gross personal income if an injury or illness prevents you from working. Business expenses can be added to Income Protection Insurance otherwise take out business overheads insurance, which will pay the usual operating costs to keep your business afloat while you are unable to work.

Assets and Revenue cont.

Business interruption: Provides cover for loss of cash flow based on expenses and forecast net profit in the event that business is interrupted due to fire damage or other defined events. Ensure your policy will pay compensation until the business income level immediately prior to the event is achieved.

Motor vehicle insurance: Four motor vehicle insurance options are available:

- Compulsory third party insurance is included in your motor vehicle registration and provides cover against liability for the death of or bodily injury to any person caused by use of a motor vehicle.
- Third party property damage covers you for damage to another person or to the property of others and your legal costs. It doesn't include repairs to your own car if you caused the accident.
- Third party, fire and theft insurance covers you for third party property damage as well as fire and theft. It also insures against damage caused if your car was stolen.
- Comprehensive insurance includes cover for damage caused to your own car if you caused the accident.

Key person insurance: Life insurance which insures the employer against the death or long-term disability of a key person vital to the continued running or profitability of the business (director, partners, executives, senior shareholders, specialised employees).

Partnership protection insurance: Provides protection for partners to purchase another partner's share of the business in the event of death or disability.

Weather: Covers against the financial risks associated with adverse weather, such as loss of crops, trade, activity, or event cancellation.

Liability

Public liability: Covers against liability for personal injury or damage to property negligently caused to third parties (members of the public) as a result of your business operations. Cover is not compulsory, but is strongly recommended.

Professional Indemnity: Covers against liability for financial loss caused by a breach of professional duty. If you work as a consultant or provide professional advice, you or any employee can be sued for losses incurred as a result of any negligent act, error, or omission of that advice.

Products liability: Covers against liability for injury or damage caused by the failure of products that you sell, supply or distribute, even if you repair, service or modify the product.

Directors and office bearers liability: Covers the cost of civil legal action if directors and officers of companies, non-profit organisations or associations are sued for any act, error or omission while performing the duties of their role.

Employment practices liability: Protection against employment-related claims such as wrongful dismissal, breach of employment contract, sexual harassment, or unlawful discrimination.

Employees

Workers' compensation: Compulsory under the Workers' Compensation and Injury Management Act 1981 (WA) (www.austlii.edu.au) if you employ people. Workers' compensation insurance provides cover for the death, injury or illness of employees caused in the course of their employment and must be in place before your first employee reports for work. The term worker is very broad. It includes full-time, part-time, casual, seasonal workers, apprentices and trainees and some contractors and subcontractors (www.workcover.wa.gov.au).

A schedule of insurance companies approved to underwrite workers' compensation insurance in WA is available from WorkCover (www.workcover.wa.gov.au).

Sole traders and partners are not covered by workers' compensation insurance, and should consider taking out a personal accident, illness and life insurance policy or an income protection policy, in case you are injured and unable to work.

Workers' compensation cover for **working directors** of proprietary companies is optional. If you are an employee of your own proprietary company, you will need to specifically request that your workers compensation insurance covers you. For further information see the WorkCover WA fact sheet (www.workcover.wa.gov.au).

Personal accident, illness or disability: Provides cover against accidental injury, illness or disability. Pays a percentage of your salary or business income while you cannot work as a result of accident, illness or disability. Policies available offer a variety of cover, and it is up to you to choose the protection you need.

For instance, if a large portion of your medical expenses are already covered by a health fund, you may not need extra cover for hospital and medical bills.

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