

Insurance for Small Business

Small Business Development Corporation

Workers' compensation for employees and third party motor vehicle insurances are compulsory. Additional insurance cover may be required by some third parties, for example, finance companies, landlords and some professional bodies. Other business insurances are at the option of the business owner.

Cover

Insurance cover may be arranged through either an insurance company, an agent of an insurance company, or an insurance broker.

All insurance brokers in Australia must hold an Australian Financial Services Licence with the Australian Securities and Investments Commission (ASIC). You can check to see if a broker has this licence by searching the Australian Financial Services Licences Register on the website www.asic.gov.au.

When starting or buying a business, assess your insurance needs and include accurate costings in your budgets and forecasts.

As with buying any product or service, you should shop around and compare price, service, reputation, cover offered and other features of the policies available. Compare what is covered and what is excluded, and what needs to be done for the policy to remain valid, for example, locks on windows. Check on the pay out performance of the insurance companies under consideration.

In evaluating policies, consider the excess on the policy. An excess is set by insurance companies to reduce the number of minor claims that may be made. This allows for a lower premium to be charged.

If you obtain quotes from a number of sources, ensure that they all quote on the same information and requirements. Consider small business insurance packages.

You have a duty to let your insurer know all matters relevant to insuring your business. If you do not comply with your duty of disclosure, the payout in respect to a claim may be reduced, or the contract may be cancelled. Notify your insurer immediately of any change.

Property should be adequately covered. If you under insure property and the policy contains an average clause, any settlement payout will be reduced by the percentage under insured. For example, if a fire causes \$50,000 damage to a property worth \$100,000 and insured for \$50,000, the payout will be \$25,000 as only half the risk was insured.

Always obtain a cover note if there is a risk of trading without a policy being issued in time.

Insurance is a complex area. Make sure that you understand all the terms and conditions of the insurance contract before you sign.

Risk management strategy

Businesses should establish a risk management strategy. This involves developing policies, procedures and practices to identify, analyse, assess, treat and monitor the risks inherent in operating the business. This should minimise costly and stressful problems and reduce insurance claims and premiums. Insurance should not be a substitute for proactive loss prevention.

Insurance reviews

Insurances should be reviewed at least annually, before renewal, and when assets are acquired or disposed of, and when important changes occur in the business.

Types of insurance

There are many types of insurance to consider for your business, including:

- Workers' compensation
- Public liability
- Product liability/faulty workmanship
- Professional indemnity
- Directors and office bearers
- Fidelity guarantee
- Life insurance (including keyman, partnership and permanent disability)
- Sickness and accident; trauma
- Motor vehicle
- Burglary and theft; money
- Fire and perils; storm and tempest
- Consequential loss
- Machinery failure
- Marine insurance
- Business interruption
- Export credit

Note that home insurance does not cover a business operating from home, and that **some insurance policies become void if a business is run from the home**. Discuss your home and business insurances with your insurer.

Workers' compensation insurance

Workers' compensation insurance cover is compulsory for all employees but cover is not available for sole traders or partners.

Cover for working directors of proprietary companies is optional. From 14 November 2005, a working director in relation to a company is defined under the *Workers' Compensation and Injury Management Act 1981* as a director who executes work for or on behalf of the company, and whose earnings as a director of the company by whatever means, are in substance for personal manual labour or services.

Information on workers' compensation, on cover for working directors and avoidance agreements is available on the WorkCover WA website at www.workcover.wa.gov.au or contact the WorkCover WA Infoline on 1300 794 744.

Complaints resolution

The Financial Ombudsman Service (FOS) assists in resolving disputes and assists businesses unable to obtain insurance, Tel: 1300 780 808, website: www.fos.org.au.

The Australian Prudential Regulation Authority (APRA) can be contacted on (08) 9420 6100 or 1300 131 060, or visit the website www.apra.gov.au.

General Insurance Code of Practice

The General Insurance Code of Practice is available from the website www.codeofpractice.com.au.

To find a Broker

www.needabroker.com.au

For further information and guidance contact:

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Disclaimer

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Current at November 2011

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