
BUSINESS INSURANCE – ARE YOU COVERED CORRECTLY?

By Fred Nadde

***I** f you are in the process of owning your own franchise or you already operate one, there are many things you have to consider and be responsible for in business. One of your most important responsibilities will be to ensure your business is protected correctly. Business Insurance is one of the main tools used to protect a business.*

The task of obtaining the most cost effective and relevant insurance for your business does not have to be daunting. With a little help from a qualified professional and a keen interest from you, the task is quite simple.

The insurance process will involve:

- Finding a suitable professional to assist you,
- Understanding the insurance coverage available to your business, and
- Making a well informed decision on the relevant coverage for you.

Insurance Professional

There are two options generally available to you. You can either:

- Deal directly with a Direct Insurer
- Deal with a third party that arranges insurance such as a broker, agent, bank, Building society or finance company.

Direct Insurers

If you decide you wish to deal with a direct insurer, you will most likely talk to them over the phone. Some insurers may have staff who can meet you face to face.

When discussing your needs with a direct insurer you must bear in mind the person you are dealing with works for the insurer and not for you. So whilst the advice they give you may be good, they are offering you one product which may or may not be the best for your business.

Insurance Agent

Similar to an employee of an insurer, an agent in most situations represents the insurer. An agent may deal with more than one insurer and therefore their product range may provide you with more options. However, the advice provided and knowledge of the insurance market may be limited to the companies the agent is licensed to deal with.

Insurance Broker

An insurance broker represents the insured (unless advised to you otherwise) and will generally deal with the majority of insurers in the market. As a business with access to a broader insurance market they should be able to give you advice and offer a broad range of products.

Banks, Building Societies & Finance Companies

Most banks and financial institutions have their own insurance arm or have a third party arrangement with an insurer to underwrite their insurance. They operate in a similar manner to an agent or a direct insurer and therefore their advice and products may be limited

Whilst an insurance broker may be your best avenue for advice, you will generally find the franchisor may already have a recommended broker for the whole franchise group. You may wish to use the facility provided by the franchise group broker or seek another broker of your choice. Either way, similar to dealing with your accountant or solicitor you will need to ask some prudent questions of your insurance broker to ensure you have the right professional person to help you protect your business.

QUESTIONS & TIPS WHEN DEALING WITH AN INSURANCE BROKER

- The Australian Securities and Investments commission (ASIC) regulates all general insurance brokers. Always deal with a broker that is licenced by ASIC and who can provide you their licence number.
- Ask the broker about his experience and qualifications to give you advice. Specifically find out if the broker has experience in dealing with businesses similar to yours.
- A professional broker will generally ask you a range of questions about your business and history in order to determine your needs. The more information you can give a broker, the more relevant the advice provided. Always be upfront and honest in your reply.
- If the broker does not provide you with a Financial Services Guide, ask for one. This document highlights how a broker operates and their services and fees.
- Request all quotes provided are in writing. Ask the broker what his recommendation is and why, so you have a better understanding of the reasoning behind the recommendation.
- Find out how a broker handles and supports you in the event of a claim. For instance, does the broker have internal claim support staff?
- Finally, your broker should be one of your most important business associates, make sure you feel comfortable in dealing with them, they will be the first person you contact should you unfortunately suffer a loss.

WHAT INSURANCE DO YOU NEED FOR YOUR BUSINESS?

Most insurers in the Australian market offer a combined business package policy where a range of various covers are grouped together under one main policy. As each business owner requirement is different, your insurance professional should guide you to the covers necessary for your business.

A simple way to look at the whole process is to consider and distinguish between the types of events that may occur which could lead to the closure of your business and those events that are likely to hurt your business but not lead to closure.

A major fire for example, could cause the closure of a retail business for months, whilst a broken front glass window may only temporary hurt the business and cause minimal disruption.

The following table distinguishes between the various insurances a business should consider and their possible level of importance. However, requirements will vary between industries, the focus below is predominantly on retail and small business.

Insurance cover	Importance
<p>Fire & Defined Events Covers your assets such as stock, contents and fixtures & fittings against water damage including sprinkler leakage, fire and other defined events. One of these perils occurring can lead to closure of your business.</p>	Essential to Business
<p>Business Interruption Provides Gross Profit cover following a loss under the fire & perils, burglary and money sections. Essential to ensuring your business survives after a loss.</p>	Essential to Business
<p>Burglary Cover is provided for loss or damage following theft due to forcible entry to your premise. Some businesses may be more attractive than others to burglary.</p>	Recommended
<p>Money Provides cover for loss of Money or negotiable instruments during business hours, in transit, safe, after hours or private residence.</p>	Recommended
<p>Glass Provides cover for internal and/or external glass against accidental breakage.</p>	Recommended
<p>Liability Provides liability cover arising from your business activities to the general public. It is imperative and shopping centre management will not allow you to trade without this cover.</p>	Essential to Business
<p>Machinery Breakdown Covers loss or damage to machinery as a result of breakdown. Cover may be extended to also cover spoilage of food.</p>	Optional, Retail Food Recommended
<p>Electronic Breakdown Same as machinery cover, in that it covers loss or damage of electrical, electronic and mechanical items such as computers, facsimile machines, cash registers.</p>	Optional
<p>Transit If you constantly deliver goods to customers, this cover should be considered. Cover is provided for stock whilst in transit. Cover is generally for fire, theft from locked vehicle and damage due to collision or overturning of vehicle.</p>	Optional
<p>General Property Cover is provided for tools of trade items such as note books and mobile phones away from the business and for similar cover to that of transit and with or without accidental damage & loss.</p>	Optional
<p>Work cover This covers claims by employees for work related injuries. Generally claims may be made for loss of earnings, medical expenses and permanent impairment. Cover is operated by government bodies and in most states via insurance companies who operate as their agents.</p>	Essential to Business

If you operate your business as a sole trader or partnership, you may find work cover does not cover you. You may have to consider this cover which covers you if you are forced to stop working due to an accident or illness. The insurer will generally pay Up to 75% – 85% of your gross salary.

Management Liability

Recommended

The cover provided is to indemnify the insured against any legal liability arising from or in connection with the management of the company. Cover can be broad and includes crime cover/fidelity and employment practices such as protection against unfair or unlawful dismissal, discrimination and harassment.

CHOOSING RELEVANT COVER

Once you have identified the covers best suited for your business, a good insurance broker who is prepared to work for you will obtain a minimum of three quotations to give you a choice of insurers, however, in some circumstances the broker may be aware of a specific market that is ultra competitive for your type of business and may seek cover from that market only.

Most insurance policy contracts are generally similar in nature but insurers may offer additional benefits to distinguish themselves from others and compete for specific markets. Here, you are relying on your brokers knowledge and experience to provide you with a broad policy at a competitive price.

Finally, before choosing your preferred insurer you should take into consideration the following:

- Advice from your broker – ask your broker about the insurers claims paying ability and the sort of relationship the broking house has with the recommended insurers, is it strong, do they do a lot of business with them etc.
- Consider whether the insurer is a local insurer or overseas based as in the case of a major loss it could be an important factor.

Do not let your decision be influenced by price alone, a dollar saved today could cost you thousands if you have inadequate cover.

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