

FRANCHISE INSURANCE

WHERE DO I START?

You may have just purchased your first ever franchise store or you may have years of franchise experience. Whatever your situation, business insurance is certainly not a topic of great discussion and it is generally a last minute thought. It generally is considered when:

- you come to negotiations with the franchisor
- you wish to enter into a lease agreement
- your renewal is about to expire or has just expired
- a demand is placed upon you by a third party (such as a shopping center manager or a contractor) to provide proof of insurance

At this point you look for insurance cover to satisfy those third party needs. At the bare minimum, these third parties will ask you to provide proof of insurance for liability, property and if you are a retailer, glass cover.

However, sometimes it is common to overlook the details in an insurance policy and only check the fine print when something goes wrong. The more recent events of bushfires, floods and cyclones in Australia have certainly put insurance back in the spot light.

Fred Nadde, Director of Capital Mutual Insurance Brokers, gave insight into the importance of insurance.

“Having worked for 25 years in the insurance industry for insurers, as a broker, a franchisee and also as a consumer, my single most important advice to my customers is don’t leave it to someone else, always take some ownership in understanding what you are paying for irrespective of who you buy insurance from,” he said.

The choice of insurance outlets is varied

- with a range of insurance companies, insurance agents and brokers, banks, building societies and these days even supermarket chains and post offices all marketing some form of general insurance.

The most important question is whether you want someone to act on your behalf or on behalf of the insurer. If you want someone to act on your behalf similar to your accountant or business advisor, then talk to an insurance broker.

Take a moment to choose the type of insurance broker suited to your business. Insurance brokers similar to other professionals specialise in different areas of business.

If you’re buying a franchise, ask the franchisor if they have an insurance facility already established with an insurance broker who understands the type of business you’re buying. Having dealt with similar franchise operators in the past, the broker may have a realistic understanding of the level of stock cover required, fitout and replacement cost of contents and any other franchisor requirements.

At the same time you should also seek the services of another independent broker who may handle small business insurance and will also understand the insurance needs of a small business.

This will allow you to receive advice from two different businesses before you make a decision on whom to choose to help you.

Your decision should not be purely price driven. It should be based on who you feel you connect with best, the advice they give you, the communication process, the quality of detailed documentation provided, the specific level of coverage, the insurer providing the security and the claims assurance given to you.

Paying the money upfront is the easy part; the hard part is to ensure you receive the advice and service - especially in time of a claim. A good quality broker can add value to your business by coordinating different parties to minimise your loss and get you back on your feet as quickly as possible.

Secondly, choose a level of coverage you are comfortable with from the advice given. For example, consider where your business is located, the type of goods you sell and your exposures.

If you’re located in a shopping strip - water damage, cyclones and burglary may be perceived a greater exposure to your business compared to a business in a shopping center where leaking pipes above the ceiling or sprinkler damage may be of a greater concern.

Similarly, the goods you sell have different exposures. If you sell consumable items, a minimum of \$20 million liability coverage may be required, compared to a retailer of costume jewellery, where the exposure is less perceived and \$10 million in coverage is sufficient.

In some situations, as a franchisee, the decision is removed from you and is set as a minimum by the franchisor (on advice or from the landlord of a shopping center).

Importantly, always read what is given to you, five minutes of your time at the beginning on an important topic can save you hours of headaches later. One policy does not always fit all!

If you would to speak to Fred Nadde, contact Capital Mutual Insurance Brokers at:

Phone: 1300 123 300

Web: www.shopinsurance.com.au

Email: enquiries@shopinsurance.com.au



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