

# Insurance for Small Business

Small Business Development Corporation

**Workers compensation 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 be licensed and registered with the Australian Securities and Investments Commission (ASIC). You can check to see if a broker is registered by searching the professional registers on the website [www.asic.gov.au](http://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 pro-active 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

A copy of *The Employers' guide* can be obtained from WorkCover, tel: (08) 9388 5555, or toll free 1800 670 055, or visit the website [www.workcover.wa.gov.au](http://www.workcover.wa.gov.au).

## Complaints resolution

General Insurance Enquiries and Complaints Scheme, 1300 780 808, website: [www.iecltd.com.au](http://www.iecltd.com.au)

The Australian Prudential Regulation Authority (APRA) can be contacted on (08) 9481 8266, or visit the website [www.apra.gov.au](http://www.apra.gov.au).

## General Insurance Code of Practice

The *General Insurance Code of Practice* is available from the Insurance Council of Australia, tel: (08) 9322 6033 or visit the website [www.ica.com.au](http://www.ica.com.au).

## For further information and guidance contact:

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## Disclaimer

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Current at August 2002

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