

Why use an Insurance Broker?

Just like an accountant or lawyer who provides you with professional advice, based on years of training and experience, a qualified insurance adviser can do the same with your insurance.

When arranging insurance, many people don't seek out advice or fully understand the details of their policy, and can unfortunately be underinsured in their time of need.

An insurance broker can give you advice to make sure you have the right cover for your situation.

An adviser can help you assess your risks, and suggest what cover will best suit your insurance needs. They can help you take out a policy, and will also explain your policy and any special situations you need to be aware of.

Some explanation in regards to some insurance policies:

Note: This is a general description of cover only – full details are set out in the Policy wording

Business Pack

Business Pack intends to provide a comprehensive all-in-one protection for a lot of areas of your business.

Business Packages try to provide a wide range of business insurance protection and lets you tailor the cover you need for your business.

Whether you are in the business or retail, Business Packages can be tailored to suit your business needs. This customisable business insurance provides a range of different insurance types all under one policy – making it easy to insure your business with ease.

Key features

Property

This covers damage to buildings, contents and stock caused by fire, perils and accidental damage. It includes Removal of debris – usually sub-limited to \$25,000

Business Interruption

The interruption to trading following a fire or other insured event can often have more serious financial implications for your business than the actual damage itself. Business interruption covers the shortfall in your gross profit caused by the interruption to your business after an insured loss. It includes:

- Cover following a loss under fire, money, burglary, glass and general property sections
- Australian-based customers and suppliers – up to 20% of gross income sum insurer
- Accountant fees – up to \$5,000

Burglary and money

This covers theft of business contents or stock, or theft of money.

Theft usually includes:

- Seasonal increase of 50% above your sum insured for 60 days before Christmas and 30 days before Good Friday
- Theft without forcible and violent entry – up to \$2,000

Money includes:

- Seasonal increase as for Theft, with a 50% increase on Bank and Public Holidays and other increases as nominated
- Up to \$1,000 for theft by an employee

Under both Theft and Money:

- Up to \$5,000 each for damage to premises, damage to safe, and replacement of locks and keys

Glass

This covers breakage of internal and external glass and signs. Includes:

Up to \$5,000 each for sign writing, replacing burglar alarm tapes, temporary boarding or replacing damaged window frames.

Liability

This covers your legal liability to pay compensation for personal injury or property damage. It includes:

- Cover for damage or loss of goods in your care, custody and control (most occupations)
- Social clubs, canteens and sporting clubs that are part of your business

Employee dishonesty

This covers fraud or dishonesty by your employees. It includes:

- Claims preparation fees – up to 10% of the employee limit or \$10,000, whichever is the lesser
- Superannuation funds, welfare, social and sporting clubs that are part of your business

Machinery breakdown

This covers damage to machinery caused by breakdown or damage to boilers and pressure equipment caused by explosion and collapse. Refrigerated or frozen goods can also be covered against deterioration.



Electronic equipment

This covers fire, theft, accidental damage, breakdown and business interruption cover for computers and electronic equipment.

General property

This cover is primarily designed for property (excluding stock) which is moved around, such as tools or professional equipment.

Tax investigation

This covers costs incurred by your accountant or registered tax agent (after receiving notification from the Australian Tax Office) in conducting an audit or investigation in relation to your liability to pay tax. It includes:

All necessary costs up to the sum insured to comply with a tax audit

Professional Indemnity

This policy provides you and your business with protection against claims for financial loss, bodily/personal injury or property damage arising from an act, error or omission in the performance of professional services covered by the policy.

If you're in any kind of profession that gives advice, design, specification or provides a service, for example: advertising agencies, management consultants or consulting engineers, professional indemnity is a necessity. Your business is your livelihood, so protecting it is paramount.

If an error or omission occurs in the course of your work and that error or omission causes a financial loss or injury to your client or any other third party, then they can claim damages against you, resulting in you incurring potentially debilitating costs (including legal costs) and reputational damage. Potentially a significant disruption to your business.

Professional Indemnity Insurance protects you from bearing the full cost of these claims and disputes, and from the time and resources they consume.

The threat of claims and litigation is very real and can potentially bankrupt businesses, small or large. It may seem like a distant possibility, but legal action often arises from an unforeseen event to completely disrupt businesses.

Cover is usually taken (depending on occupation and requirements) between \$1,000,000 and \$10,000,000



What is Public Liability Insurance?

As a business owner you are accountable to third parties that come into contact with your business (customers, employees, suppliers, etc.). If damage or an accident occurs while you're providing a service, a third party can sue your business, which can result in costly legal fees as well as the obligation to pay for the damage or injury you may have caused.

These costs are often devastating for businesses, which is why Public Liability Insurance exists to help protect you in the event of an incident.

This cover can also be extended to include Products Liability, this is particularly important when you manufacture, or re-label products.

Usually you would be looking to have \$20,000,000 in cover.

Some Insurance terms you may hear:

This is from ANZIIF (The Australian and New Zealand Institute of Insurance and Finance)

Insurance can feel complicated at times. With so many foreign terms and concepts to get your head around it can be a little overwhelming. Understanding some common insurance-related language and concepts can go a long way to helping you make informed choices.

Here are some common terms and concepts that you need to understand.

Risk and insurance

Through the course of our lives we accumulate assets by buying products, homes and vehicles. Many people choose to take out an insurance policy to protect them from a potential loss. This loss might occur through theft or damage, or it could be a total loss through an event like a fire or flood. In most cases the policy may also cover injury to other people.

In its most basic sense, insurance is taken out to transfer the risk of loss from you to someone else (the insurer) in exchange for money. Insurance companies understand the likelihood of risks occurring across all the different types of insurances and they price them accordingly.

Insurance Contracts Act

When you take out an insurance policy you are actually entering into a contract between an insurer and a customer. This contract is governed by the *Insurance Contracts Act 1984*, which is an Act of Parliament that sets the rules of all insurance policies.



It sounds very formal but the good news is that this protects your rights as a customer. This does, however, place a number of obligations on you to supply proper and correct information to an insurer, which helps them to accurately assess what you are trying to insure.

Duty of disclosure

An insurer calculates the amount you pay for your insurance (called a premium) based on your answers to a series of questions. These questions relate specifically to what you want to insure. Over a period of time insurers have gathered a great deal of information about various risk factors across the different types of insurance, and the price that you are charged changes according to the level of risk.

The duty of disclosure relates to the obligation that you have to provide true and accurate information so that the insurer is able to determine if it can insure you and at what price. Your policy is only based on the information you have provided and it is expected that you provide honest responses. If you have not been honest or have forgotten to advise the insurer of something you should know, it may impact you adversely if you make a claim against that policy.

Remember that you are entering into a legal contract and you do so with the duty of utmost good faith. This means that you and the insurer are promising to be fair and honest in your dealings with each other.

Product Disclosure Statement (PDS)

While it can seem long, it is really important that you take the time to review a PDS because it includes the finer details of what your insurance policy covers. It can be particularly useful when comparing policies so you can see if you are comparing like for like. It is also a great reference if you have to make a claim.

Because it's a legal document it can feel quite formal and a little intimidating when you read it. Its purpose is to protect both you and the insurer so there are rights and obligations written into it that are important if you have to make a claim. Areas documented in a PDS include:

- what's covered, under what circumstances you are covered and any limits or restrictions
- what isn't covered and under what circumstances you are not covered
- terms and conditions of your policy
- your cooling off period if you decide that you don't want to proceed with the insurance
- definitions of the technical words so that everyone is on the same page
- how to make a claim, including your responsibilities, describing an incident, the types of documents that demonstrate ownership and any excesses that you may have to pay
- how to cancel a policy and any implications that may have for you and the insurer
- if you are not happy, the process for making a complaint and the options available to you.

Certificate of insurance/Policy renewal/Renewal schedule

These terms can be interchangeable, so refer to the document provided to you by the insurer after you purchase your insurance. It outlines important information about the insurance cover you selected and it includes:

- what your policy number is
- what you have insured, the level of cover and how much you are insured for
- the period of cover
- any excesses that you have nominated
- the information you provided to the insurer that helped determine your insurance premium
- a reminder about the importance of disclosing all relevant information that could affect your insurance policy to the insurer if your situation changes.

Each time you renew a policy you will be issued with a new certificate of insurance. Where a policy automatically rolls over, it is a good idea to review the information and let your insurer know if any of the details have changed — just to make sure you are properly covered.

Your policy renewal document will accompany your certificate of insurance and outlines the insurance you have taken out as well as how much it will cost. It will also list any taxes like stamp duty and GST. If you pay by direct debit it will confirm those details, including which account the payment will come out of, the instalment amount and the date that it will come out of your account.

Sum insured

Sum insured refers to the maximum amount of money that you are insured for in the event that something happens. It's therefore really important that you carefully review and calculate what this amount should be. This means determining the value of all the assets applicable to the policy. There are series of questions or calculators available on some insurers' websites that can assist you with this.

Because the sum insured amount relates directly to any payment in the event of a claim, it is critical to review this amount every year. If you think about how many new appliances or gadgets, and even shoes and clothes, you've purchased in the past year it is really easy to see how quickly you can become underinsured. The cost of rebuilding your property can also change as building materials increase in price. Most insurers will include an amount for inflation, however, you still should undertake a thorough review of your own.

When people's possessions are not accurately valued and they need to make a claim, if, for example, their home is destroyed by a fire, they may find themselves in a position where they are unable to rebuild or to replace all of the items in the house. This is referred to as underinsurance because there is a difference in the sum insured amount and the total replacement cost.

On the other side, if you over-insure and need to make a claim, the insurer will not pay you more than what it costs to repair or replace your items and will not refund you for having taken out more insurance than you needed to.



Exclusions

Exclusions refer to circumstances and situations where a claim can't be made. These are stated in the PDS so that everyone is clear and on the same page.

It is therefore really important when comparing policies to understand what isn't included. Having a large number of exclusions reduces the risk that the insurer takes on and it may be the reason why some policies are so much cheaper than those that have fewer exclusions and are more expensive.

Premium

The premium refers to the amount of money that you pay the insurer to take on your insurance risk. It is calculated based on the information you have provided to the insurer. The premium amount will also show government taxes such as GST and stamp duty and may include a Fire Service Levy where applicable.

Excess

When you are taking out your insurance you will often be asked how much excess you would like to pay. This refers to the amount of money you are prepared to pay out of your pocket before your insurer pays your claim.

Generally speaking, if you are prepared to pay a higher excess, you will see a decrease in the amount of premium you need to pay because you are taking on more of the insurance risk yourself.

Specified limits

Some insurance policies will list any limits that apply to your policy. These limits apply to the maximum payable for a particular event or items insured. They are commonly found in contents insurance and include items like jewellery, watches, artwork, handwoven rugs and collections. For health insurance, they include the amount payable on any single visit and the maximum payable in a year. They are also commonly found in travel insurance and refer to items including lost luggage, medical treatments, personal effects, cancellation of flights and legal liability.

In many instances, insurers do offer additional cover to take on the increased value of the risk, which results in higher premiums.

Claims

If you are making a claim it means you have suffered an injury or a loss. Most insurers expect you to contact them immediately to notify them and to lodge a claim. At this point they are able to assist you.

Insurers will want to work with you quickly and effectively to repair, replace or make any appropriate payments. The process involves answering a series of questions to help the insurer



understand the type of loss that occurred, the extent of any damage and what needs to happen to fix the situation. Sometimes external people will need to assess the damage while in other instances you may just need to provide a copy of a receipt, credit card statement or photograph to establish what an item was and how much it cost. In the event of large scale losses such as bushfires and cyclones, insurers will send claims people to the area to assist with processing your claim.

Your insurance PDS will have a section on claims that will help to walk you through the process, so it is always a good place to start.

It is important to remember that an exceptionally high percentage of claims are paid. Being helpful, reporting accurately, and providing factual and detailed information will help speed up the process.

Understanding what these common insurance terms mean should help you make a more informed decision when you're researching or buying insurance. For more detailed explanations of products or types of insurance or risk, talk to an insurance broker or insurer.

This information is general by nature

Please feel free to contact myself or your own Insurance Broker to discuss anything to do with insurance anytime on details provided.

I have been helping many small businesses have the right covers for many years in the Insurance Industry. And as a small business owner myself, I appreciate the way these things work. Further to this, it is a great thing to do for your own time and resources using an Insurance Broker, as you no longer need to worry about nuances of cover, claims handling etc and concentrate on your business.

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