



# Simple guide to insurance

## The BizNatal Way

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in association with DCB Insurance Services



**BizNatal**

Helping raise your business 'baby'  
From conception to adulthood

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## Thanks to DCB Insurance Services

The insurance module of the BizNatal program has been put together with the assistance of Di Brennan from DCB Insurance Services in Port Pirie, South Australia. Di can provide a range of insurance broking services including

- Business Insurance
- Farm Insurance
- Income Protection
- Travel Insurance
- Home and Contents Insurance
- Motor Insurance
- Event Insurance

Although based in Port Pirie, her business can provide services throughout Australia.

For an assessment of your business insurance needs contact Di.

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## Overview:

The Simple Business Insurance module comprises information to help you better understand business insurance, including what you might need in your business and the types of information you may need to provide. The module was put together with assistance from South Australian-based insurance broker Di Brennan from DCB Insurance Services.

The information contained in this module is simple in nature and is not an exhaustive guide to the insurance cover you may require for your business or personally. Insurance is a complex subject and our role in including this module is to provide an introduction only, and encourage you to seek the advice of an insurance professional before commencing your business. We also encourage you to seek regular reviews of your insurance cover, at least annually, to ensure you have the right cover for your current business situation. When taking out insurance cover we urge you to read the fine print and contracts thoroughly and ensure you fully understand the cover provided, including the terms and conditions.

The module outlines

- Why you need insurance
- The most common types of insurance you may need for your business
- A guide to some of the questions you may be asked and information you may need to provide to ensure a thorough assessment of your insurance cover needs
- An explanation of the role of an insurance broker.

We emphasise that BizNatal is not an insurance agent and the information provided in this module is only general in nature.

## Do I need insurance?

Most people don't find the topic of insurance exciting and will try to avoid conversations about insurance, but no business operator can afford to ignore issues of potential liability and the need to have adequate insurance cover for their business.

Despite this Insurance Council of Australia's (ICA) statistics show 12.8 per cent of small businesses and 24 per cent of sole traders have no insurance.

With society increasingly turning to the courts to resolve disputes and a growing trend for individuals to blame others when things go wrong, it has never been more important to ensure your business is covered in the event of a dispute, accident or other problem occurring. You may be surprised at some of the issues businesses get sued for, and the huge payouts awarded by courts to the complainant.

Depending on your business structure - sole trader, partnership, company or trust - you may also find that you can be held personally responsible, including risking your family home and other assets if something goes wrong in your business.

There is no one-size-fits-all when it comes to insurance cover for a business. The risks for each business need to be individually assessed and the appropriate coverage matched to their needs.

Insurance is also vital if you plan to offer your business's services to larger organisations including government agencies and bigger corporations as they will generally require you to provide evidence that you have adequate insurance cover before you'll be allowed to undertake work for them.

In this module we will cover a range of different types of insurance you may need for your business activities. The list may not be exhaustive, and you're advised to seek the advice of an insurance professional, such as a broker, when choosing insurance cover for your business.

The information we will be providing will be general in nature and users of the BizNatal resources are advised to contact an insurance professional to receive specific advice on their particular circumstances.

## Types of insurance

There is generally not just one type of insurance coverage that's needed for a business. A range of different policies is often required to ensure you're covered adequately in the event of a claim or a legal challenge. The types of policies required will vary according to the nature of your business operation.

The most common types of insurance for business are:

- General liability - Public & Products Liability
- Professional Indemnity
- Personal Accident & Sickness
- Cyber
- Business Building & Contents
- Tools & Equipment
- Business Interruption
- Motor Vehicle

### General liability - Public & Products Liability

General liability, public liability or products liability insurance, generally speaking, are designed to protect your legal liability to third parties, including clients, customers and the public for injury or damage to their property, caused by your business.

**Public Liability** - If an accident or unforeseeable incident causes damage or injury to someone (other than your employees) you may be found legally liable to cover the costs. One example might be if a customer attends your premises and injures his or herself after slipping on a wet floor, where no warning signs were put out.

**Product liability insurance** is designed to protect your business if you're sued because a product you sell, assemble or supply has caused harm to a person or to their property.

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Examples might include the cake you sell containing nuts which leads to an allergic reaction in a consumer, and there were no warnings posted. A cleaning product you sell may take the paint off a vehicle when used to polish it, and there were no warnings posted. A toy may break and injure a child who's playing with it, and there were no warnings posted. Public and Products Liability is generally considered the minimum insurance required for a business.

## Professional Indemnity

**W**e're all human and anyone can make a mistake. This is where professional indemnity insurance can help ensure you're covered so a small error doesn't cost you and your business big money!

Even the smallest of mistakes or oversights can result in substantial damages to another party. If your business is found liable for negligence, the costs can be financially devastating. Not only can it lead to an expensive lawsuit, but your business's hard-earned reputation may be damaged as a result.

Professional indemnity insurance provides you and your business with protection against claims for financial loss, bodily/personal injury or property damage arising from actions, mistakes or omissions when someone is performing professional services.

If your business provides advice or a service for a fee you should consider taking out professional indemnity insurance. Anyone providing plans or designs is also at risk of a claim that can potentially be covered by professional indemnity.

Some of the types of businesses where professional indemnity insurance is needed include management consultants, bookkeepers, accountants, financial advisers, business advisers, architects, lawyers, trainers/teachers and even some tradespeople who carry out design work such as a plumber designing a drainage system.

Be aware that you can often get claims against you for several years after you close or sell your business, so you're usually advised to retain professional indemnity insurance beyond a closure too.

## Cyber Protection Insurance

**I**t seems every day we hear of a new cyber threat - email scams, ransomware, data confidentiality breaches, identity theft, hacking and phishing. With so much of our business being conducted online, and with most of us having responsibility for the security of personal data from our customers including identification and financial details, every one of us is a target for cyber crime. As well as criminal acts, there may also be damage and liability associated with computer system failure too.

Cyber protection insurance offers a range of different coverage options and may even include cover for your own business in the event of disruption caused by a cyber outage, irrespective of whether it was caused by a criminal or as a result of a breakdown.

A cyber attack could cost your business more than money. It could also threaten your intellectual property and put customers' personal information at risk - which could

damage your reputation.

Some examples of cyber protection liability threats might include:

- A hacker entering your computer system, downloading personal data of your customers, including credit card or identity details, and then using this data to syphon bank accounts or steal another's identity.
- Clicking on a phishing email link which downloads a virus to your computer records destroying important client records, projects or data.
- If you provide computer services to others, a major computer system failure may mean customers can't access systems and information vital to their business or personal situation.

When getting an assessment for cyber insurance some of the issues you may be asked about include:

- What arrangements do you have to back-up your data and systems?
- What anti-virus software do you have in place?
- Does anyone have remote access? What's your policy on remote access?
- Who has password access and how is it managed?
- What is your policy on using public wi-fi or generally using wi-fi outside your own network?
- What is your policy for downloading external software and apps?
- Do you have policies in place for when a cyber attack occurs?
- How do you keep and store personal information of others?

## Personal Accident, Sickness & Income Protection

**M**any people who start their own businesses don't realise that they're no longer covered by traditional employment insurance in the event they injure themselves at work, nor are they usually able to tap into the personal leave they may have enjoyed when working for someone else.

For these reasons, anyone working for themselves - sole traders, partners, trust members or even unpaid directors of a company - should consider taking out insurance cover for personal accident, sickness and income protection.

You can generally choose the level of cover, including how long you'll need to be off from work before you get a payment, and the rate of payment you will receive.

Income protection insurance can help pay the bills so you can focus on getting better.

Income protection insurance pays up to 85% of your pre-tax income for a specified time if you're unable to work due to partial or total disability.

Depending on the wording, income protection insurance can pay if you are self-employed or a small business owner, as you are unlikely to have sick or annual leave, and often have family members or dependents that rely on the income you earn, plus you may have debts such as a mortgage that you'll have to continue paying regardless of your health.

## Business Building & Contents

Whether you work from home or a separate premises you need to ensure you have the right insurance to cover the space you work in and any equipment, furniture etc which you have in that space.

Many people who work from home don't realise they need to declare to their home insurer that they also use their home as a business premises. This even includes those who don't see clients at their premises, as even those who simply use it as an office have an obligation to notify the insurer of the property usage. Don't be afraid to notify them because you fear a higher premium as you risk voiding your cover in the event of a claim if you haven't declared a commercial use. In some cases, you may not even face any change to your premium, it may simply just be noted on your policy or file.

Consider too the business equipment you might have at home that may not necessarily be covered within your usual home and contents insurance. This can include specialised equipment for your trade or even computers and cameras. Often home and contents insurance policies require you to specify more expensive items you want covered by your insurance, and there are sometimes limits on the payouts for single items.

When looking at business building and contents insurance an insurer will be looking at a wide range of factors in determining the right insurance cover, what might impact your risk, and what might impact the cost of your insurance too.

Some, but not all of the considerations, can include:

- Location, including remoteness and type of neighbours and neighbourhood,
- Condition and age of the premises,
- What it's constructed from and whether there are materials of particular concern such as asbestos or EPS (expanded polystyrene),
- Security installations including lighting, cameras, alarms and locks,
- Condition and age of electrical installations,
- Fire protection equipment, signage and training for occupants,
- Trip hazards and condition of flooring,
- General housekeeping measures such as waste collection/removal, smoking areas and location of bins.

Be prepared to answer questions or open your premises for inspection by an insurance assessor or broker.

Consider too if your building has signage, what is it worth to replace? Another consideration is specialist insurance to cover broken windows, which are sometimes not automatically covered by building insurance.

Ensure you have adequate insurance to cover the cost of loss or damage so you are not under insured.

### Tools & Equipment

Most of us have some form of tools and equipment we use in our businesses. This can include computers, cash registers, cameras or tools of our trade. You need to ensure your insurance policy will cover the replacement of your tools and equipment should you suffer loss or damage.

Make sure you thoroughly understand what is covered by the policy, if the claim is paid as replacement value, agreed value or current market value. Are you covered for breakage, theft or general wear and tear, or all three? Are you covered for hiring equipment until it can be replaced if it's vital to your business operation?

It's also important to ensure you keep up-to-date records of all of your equipment, including serial numbers and purchase dates, and that you keep your insurer informed if equipment is purchased or retired in order to ensure your insurance cover is up to date.

If you have machinery requiring motors, you may also need to consider taking out business motor insurance, to cover the replacement of motors.

### Business Interruption

Consider for a moment what would happen if your business premises burned down, you were without vital equipment due to some other loss or there was an extended power outage. What impact might that have on your business and how long could you afford to be without your premises, your equipment or the power?

Business interruption insurance can help to cover expenses and income losses during periods when you're unable to operate your business due to a range of circumstances, including disasters. Many people think of fire insurance for their business premises, but don't consider how long you could be without premises and equipment while investigations are underway or the premises are rebuilt. You can't always find suitable premises in a matter of days. In these instances business interruption insurance can help to provide you with income and cover expenses too.

### Motor vehicle insurance

Many of us use vehicles within our businesses. Often sole traders are using their personal vehicles which are covered under a personal motor vehicle insurance policy. However, this cover can be compromised if you haven't notified your insurer that the vehicle is used for business purposes. Often all that's required is a phone call to the insurer who will make a note on your policy. They may ask you details about what the vehicle is used for in a business sense:

- Do you use it for deliveries?
- Do other people in your business drive it?
- If other people use it, do you have records of their age, their current licence and their driving history?
- What's the business to private use percentage?
- Do you carry other people in your vehicle - customers or staff?
- Are any of the drivers aged under 25?

Remember that disclosure is important, as you don't want to miss out on an insurance payout because your insurance was voided by not declaring the vehicle was being used for business purposes too.

If you have business vehicles signwritten, consider too that in the event of an accident you may need new signage. This isn't always covered in your insurance policies, so you're advised to check with the insurer.

## What details might I have to provide?

**W**hen taking out insurance it's important that you disclose all you can about your business to ensure you have the right cover. An insurer will want to ask a range of questions which are likely to include:

- What does your business do?
- Where is your business located?
- Do you have customers in this state, another state or overseas?
- What's your annual turnover?
- Do you have any agreements in place with others?
- If you employ staff, who do you employ and how do you engage them?
- What qualifications and licences do you have for you and your business?

They may want to see contracts you have with sub-contractors, contractors and staff

They may want to see evidence of how you manage risk in your business.

There will likely be a range of other questions asked, and information required to be provided, depending on the nature of your business and the type of insurance required. It's best to keep the information you provide in a central location, so it's easy to update as your circumstances change and then much easier to provide to your insurer if required.

Often an insurance review is a great reminder of what we need to introduce into our business and which we should prioritise to cut our risk profile, and also potentially assist with reducing insurance premiums in the future.

Remember, don't hide information from an insurer as non-disclosure of key information can place your cover at risk when you need it the most.

## What is an insurance broker?

**A**lthough insurance policies can be purchased online or otherwise directly from an insurer, BizNatal recommends you consider using an insurance broker, particularly for your business insurance needs. Business insurance can be particularly complex, and very much personal to the individual business's situation. Generally speaking no two businesses are the same in terms of their insurance needs.

Insurance can be overwhelming and it's good to know that the person advising you isn't employed by one company or another, and will give you an independent assessment of your insurance cover requirements, plus recommend the best cover for you and aim to get it for you at the best price.

## Business Insurance

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Understanding what insurance you need can be complex and it can be devastating if you get it wrong. It's too late once disaster strikes to say, "I thought I was covered for that."

A broker will generally work closely with you to assess your insurance needs. Be aware, this can seem like a lot of work, but it will be a good investment of your time if you end up with an insurance cover that pays out when you need it to.

Brokers work for you in a claim, including providing support and assistance when lodging claim forms.

Brokers aim to find the right products at the right price.

Brokers will have access to a wide range of policies and insurers and will tailor insurance cover to suit your particular business situation. In some cases, this may result in multiple policies from multiple insurers to get the best cover. Often the policies can be paid on one invoice.

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For an assessment of your business insurance needs contact Di Brennan of DCB Insurance Services.

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