

15.08 - 2020

Small business insurance 101: things you need to know



Insurance can seem like a complex area, which is why it's so important to understand the basics. Here, we explore some of the fundamental concepts that underpin most business insurance policies.

An insurance policy has a number of different parts, explains Steadfast broker support manager, John Clark. "The policy will set out the cover that applies under the policies, the conditions you must comply with and any exclusions. Almost every policy will include these features," he says.

"The business interruption section of the policy will also include information about indemnity periods"

Scope of cover

The first section will typically explain the policy's scope to protect the business against loss or damage to the building in which it operates and its contents or stock. This part of the policy may include information about the policy's conditions, such a requirement to have fire extinguishers and burglar alarms that are switched on when the premises are vacant.

The business interruption section of the policy will also include information about indemnity periods. This is the length of time the insurer will make up the loss of profit or revenue as a result of an insured event such as a fire, storm or earthquake.

The indemnity period's time span will depend on the nature of the business being insured and the value of the cover versus the price of the premium.

For instance, if the policyholder requires a specialised piece of equipment to trade, the indemnity period should consider how long it will take to replace the equipment if it's destroyed, taking into account any time needed for it to be imported if it's made overseas. When working out the indemnity period, take into account how long it may take for income to reach pre-loss levels.

Many liabilities covered

Most businesses also take out public liability insurance in case someone enters their business premises and slips over on the floor, suffers an injury and sues the proprietor. The policy's liability section can protect or indemnify the business against these incidents and helps puts the business back in the same place it was before the loss arising from the incident.

Beware, professionals such as accountants and lawyers will require a separate professional indemnity policy, which can cover errors arising from not operating a business on a professional scope.

Insured values differ

When it comes to the amount insured under the policy, it's important to pay attention to replacement costs, especially when it comes to buildings and equipment.

The value of many items appreciate over time due to inflation and rising costs as new models are issued. The exception is stock, which is covered for its value, rather than for its replacement cost. It's also vital to understand different risks are insured for different amounts. For instance, contents' cover may be for a sum such as \$100,000, to reflect the damage an event such as a fire can cause, destroying the entire contents of a building.

Whereas with burglary, you may elect to be covered for a smaller amount, because burglars don't normally steal a business's entire contents. Insurance is complex, which is why an insurance broker offers so much value. A broker can help make sense of the fine print and offer guidance about the level of cover that's right for the business. Contact your Steadfast broker today to find out more about your cover and the level of protection it provides.

Important note - the information provided here is general advice only and has been prepared without taking in account your objectives, financial situation or needs. Steadfast Life Pty Ltd (ABN 81 111 380 388, AFSL 421904)

Important notice - Steadfast Group Limited ABN 98 073 659 677 and [Steadfast Network Brokers](#)

This article provides information rather than financial product or other advice. The content of this article, including any information contained in it, has been prepared without taking into account your objectives, financial situation or needs. You should consider the appropriateness of the information, taking these matters into account, before you act on any information. In particular, you should review the product disclosure statement for any product that the information relates to it before acquiring the product.

Information is current as at the date the article is written as specified within it but is subject to change. Steadfast Group Ltd and [Steadfast Network Brokers](#) make no representation as to the accuracy or completeness of the information. Various third parties have contributed to the production of this content. All information is subject to copyright and may not be reproduced without the prior written consent of Steadfast Group Limited.

Armstrongs Insurance Brokers

Address:
47 Cameron Street
Launceston 7250, TAS
Australia

Phone:
03 6331 5455

Website:
<http://www.armstrongs.net.au>

Email address:

hayden@armstrongs.net.au