

Business Insurance

QUICK GUIDE

This Quick Guide is designed to assist you in knowing the types of insurance this is available to protect your business risks.

INTRODUCTION

Business insurance, also known as *commercial insurance* or *liability insurance* is vitally important for business survival and continuity. It protects you from the financial consequences of any accidents or law suits that may occur during your day to day business activities, and natural disasters. Many businesses rely on insurance to reduce the risk of crippling expenses should the business suffer significant damage or loss. Most business insurance policies are customised to suit the needs of the individual business.

Commercial insurance generally covers:

- **Material (asset) damage** - buildings, stock and plant, and equipment to cover against loss or damage
- **Motor vehicle** – covering company cars/vehicles regardless of how many vehicles
- **Business interruption** - covers you for loss of profits following an insured event
- **Liabilities** – there are many policies available, offering different levels of coverage - e.g. public liability insurance, statutory coverage insurance and insurance that covers your responsibilities as an employer (ACC).

TYPES OF INSURANCE

Material Damage Insurance

This covers your business assets like buildings, tools, plant, machinery, equipment and stock for unintended and unforeseen physical loss or damage from events, such as fire, burglary, theft, flooding, subsidence, landslip, earthquake, hydrothermal or geothermal activity, volcanic eruption or tsunamis.

Some example benefits of material damage cover include:

- Insured tools, plant and machinery for use anywhere within New Zealand
- Cash lost or stolen whilst securely locked at your business premises, or in transit, you can be covered up to a certain value
- Your employees' personal effects at the premises or elsewhere when being worn or used in the course of their employment (e.g. laptops, phones and cameras) can be covered up to a certain value
- Where keys to your premises have been stolen or duplicated without authority there is cover for the cost of altering or replacing your locks and keys, up to the sum insured specified in your policy
- Refrigerated goods are automatically covered for damage due to accidental stoppage or breakdown of fridges and freezers, up to the sum insured specified in the policy.

Motor Vehicle Insurance

This tends to be a separate policy. It covers accidental damage and repairs to company vehicles, windscreen, theft, fire damage, legal liability for damage to someone else's vehicle or property or ACC events involving uninsured drivers.

Policies vary according to how many vehicles your business has.



Business Interruption Insurance

This insurance provides cover for financial loss when your business is interrupted or interfered with due to damage from the risks insured under Material Damage and other specified causes. Its primary purpose is to maintain the level of your gross margin prior to the interruption.

Some key features include cover for loss resulting from interruption or interference to the business:

- Due to the closure of the premises caused from material damage
- Resulting from damage at suppliers' or customers' premises
- Directly resulting from interruption or interference with the business due to prevention of access taken by a public authority (e.g. Police, Fire etc)
- As a consequence of insured damage to public or private utilities which you may use.

Liability Insurance

This provides cover for your businesses' legal liability for damage to other people's property or personal injury to others which was neither expected nor intended from your standpoint.

Some example benefits of liability cover include:

- Public liability – protects against third party damage usually following an act of negligence by you or your employees
- Employers' liability – protects against actions from employees that fall outside the scope of ACC (e.g. mental health, trauma, stress)
- Statutory liability – protects against actions brought about under certain Acts of Parliament (e.g. Health & safety Act)
- Professional indemnity – protects against damage caused by wrongful advice or design
- Directors' & officers' liability – protects company directors and the officers against liabilities resulting from the obligations under the Companies Act.

Key Person Insurance

In addition to specific business insurance you also need to consider insurance for key persons.

Things to consider regarding key person insurance:

- What is the structure of your business – company or partnership?
- What shareholder agreements are in place in relation to pre-emptive rights to acquire shares from other shareholders?
- If the death (or other event) of a key person of the business triggers the pre-emptive rights, appropriate insurance can provide the funds needed to complete the transaction
- Should a key person be unable to continue in the business, appropriate insurance may provide the necessary funds to employ a professional manager in their place
- As a business owner you may wish to insure your income if health issues prevents you from continuing in your business.

This insurance is complex and specialised and we would recommend you seek specialist advice in this area.

COST TIPS

Work closely with your commercial insurance broker. They are the experts and will act on behalf of you in all negotiations with the insurance companies, from obtaining your first quotations through to renegotiating your renewal premium, to handling your claims. Be sure to use a broker who is a member of IBANZ (Insurance Brokers Association of New Zealand).



Brokers can recommend appropriate cover for your business and assist with selecting a suitable underwriter. It's also important to keep them informed of any changes that may affect your business policy or a claim.

Some points to note on purchasing insurance:

- Compare insurance quotes, and actual cover provided. There are similarities between the major companies, however read the fine print
- Risk management is a key area in determining your premium, therefore ask the provider how you can reduce risk or prevent losses. This may result in discounts on your premiums
- You can reduce your company insurance premiums by paying a higher excess. Ensure however, that you have money set aside to cover your excesses when the time arrives
- Avoid shopping around too frequently as this will influence your premiums. Have an on-going relationship with your insurer as this will build trust
- Check out your insurance broker – insurance brokers do not have to be registered.

CHECKLIST

Depending on the type of commercial insurance you are purchasing, insurance brokers will need to know the following information:

- Signing authorities for the business - usually with small businesses it is the company director(s)
- Type of business - e.g. manufacturing, retail etc
- Specific details of your business, including:
 - the number of vehicles you have, any claims made on the vehicles, their ages and mileage
 - number of employees, including full time and part time
 - previous insurance history
- If you are purchasing liability insurance, you will need to know the amount of coverage you actually require (often these are standard amounts).

For more information and assistance on your business insurance please contact the Canterbury Employers' Chamber of Commerce Business Advisory team on 03 366 5096.

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