

Keeping in Touch

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Make sure you are properly insured

Running a small business is hard work. A lot goes into getting it up and running and you will have taken some big risks. The last thing you need is to lose it all because of poor insurance choices.

Do your homework

First you need to work out what needs to be covered. There are the obvious things such as plant and equipment, then there's the less obvious things such as public liability, professional indemnity and protecting the financial performance and position of the business on the sudden loss of a key person.

Policies should cover a wide range of eventualities and each business should have a policy package specifically geared to its needs.

Asset protection

Damage to buildings, fixtures, fittings and stock from specific events and accidental damage comes under property cover. Theft and burglary policies cover loss or damage from illegal forced entry or deception but it's necessary to have separate cover for the theft of money.

Glass cover is good if you have lots of windows or specialised items, and machinery and equipment can be insured against failure. Compulsory third party motor vehicle insurance is mandatory for all business vehicles but damage to them is covered separately.

Take out coverage for accidental damage or loss to electronic equipment, including computers, and data. And goods in transit/property in transit insurance covers goods lost or damaged in transit.

Revenue protection

Public liability protects businesses against legal and court costs and compensation if you are found liable for someone's injury, or property damage because of negligence.

Professional indemnity protects you and your business against claims for alleged negligence or breach of duty arising from an act, error or omission in the performance of professional services.

Tax audit insurance covers the professional fees incurred by an audit, inquiry, investigation or review by the Australian Taxation Office or other official agency.

Business interruption covers the loss of trading caused by damage from a weather event, flood, fire or other insured interruptions. Goods stored in chillers or refrigerators can be covered for deterioration and loss caused by the breakdown of machinery.

Also be aware that workers' compensation is compulsory for businesses with a certain number of employees. More information is available from government workers' compensation websites in each state.

People are the most important assets, and the success of the business may hinge on key personnel or the owner or owners. Business expense insurance can cover certain fixed business expenses such as office rent or leases, staff salaries, loan repayments equipment hire, on the injury or illness of a small business owner. A successful business may be crippled or in a worst case scenario forced to close if a key person suddenly dies, is permanently disabled or suffers a traumatic event. The

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right amount of key person insurance can help protect a business by providing enough cash to preserve the asset base, hiring and training of replacement staff and repayment of outstanding loans including removal of personal guarantees over assets such as the family home.

'Buy sell' or business succession insurance cover can help business owners with the successful transfer of ownership on their death, permanent disablement or suffering of a traumatic event. Insurance proceeds can be used to fund the buyout of the departing owner's share of the business helping to provide certainty for their estate and control of the business for the remaining owner.

Insufficient coverage

Owners risk losing control of their companies, serious financial losses, and complex partnership problems by being uninsured, or underinsuring against something going wrong.

Having the wrong kind of insurance is equally risky and ultimately a waste of money, which is why it's necessary to seek the advice on the right insurance for your business.

It's also important to regularly review and update your insurance, especially when your business grows or changes.

There is always tax

You do not have to pay capital gains tax (GST) on a business insurance settlement, provided you tell the insurer before making the claim what proportion of the premium you can claim GST credits for, which will be the part that relates to business purposes. But remember, your accountant should assess all taxation matters.

Working together with your financial adviser to determine what insurances can be put in place is an important consideration when running a business.

The Insurance Council of Australia, www.understandinsurance.com.au, and the Australian Taxation Office, www.ato.gov.au, have more information.