

FACTS SHEET – April 1995

INSURANCE BASICS

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How do you arrange insurance?

Your insurance can be arranged through an insurance agent or an insurance broker. An agent is someone tied to specific insurance products or companies; a broker is a dealer who acts as your representative to locate the best deal for you and who earns a commission from the insurance company eventually used.

You can sometimes take out a cover note for temporary insurance until you have finalised your insurance needs. The cover note will usually provide cover for a month.

Obtain quotes from different agents and brokers and get an agent or broker to do a risk assessment of your business. There usually is no charge for this type of service.

Your agent or broker may arrange all your insurance needs in a single package for your convenience and cashflow. They will then lodge your proposal with the insurer(s) and if accepted the insurer will issue the policy.

Types of Business Insurance

The following is a summary of some of the more common insurances and in which we recommend you review your needs regularly with your broker or agent:

Loss of Profits

If an 'event' occurs that interrupts normal business operations this type of insurance will indemnify the business against any loss of profits the business may suffer by paying wages, fixed costs, increased manufacturing costs and so on.

Property Damage

This covers the assets of your business from physical loss, damage or destruction.

Public Liability

Protects you from claims to which you are legally liable as a result of being sued for careless maintenance of your property or business premise.

Product Liability / Professional Indemnity

Similar to public liability, this protects you from being sued due to faulty or defective products sold, or for careless performance of services.

Sickness and Accident

This covers sickness and accident to the business owner. If you are self-employed you are not covered by workers compensation, so this insurance cover should be seen as a must.

Workers Compensation

It is a legal requirement that every employer obtains workers compensation for their employees. Essentially, it provides the employee with a safety net of wage payments if they have been injured at work.

Key-person Insurance

Indemnifies the business against the loss of an employee due to death or disablement where that loss would result in a serious fall in business profits.

The above is not an exhaustive list. Other types of insurance include fire, special risks, motor vehicles, electrical or machine breakdown, computer damage, marine (not fish insurance but goods in transit), motor vehicle, workers compensation, burglary, glass breakage etc.

***Important:** The information contained in this Facts Sheet is not advice. Many of the comments in this Facts Sheet are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances. Also please note that changes to legislation may occur quickly.*

For more information, or if you would like assistance, please contact Farmilo & Co.

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