



Your guide to Business Insurance

Developed by Bellrock Broking for Seedlab program participants

About this guide

Bellrock is an Insurance Brokerage that works with clients around Australia to provide tailored risk management solutions. We have developed this guide for Seedlab program participants to educate you on the types of insurance you should consider and why they are important to a business in the FMCG space.

Please note that information contained in this guide is general in nature and does not take into account your individual circumstances. Bellrock recommends you seek professional advice on what insurances are appropriate for your particular business needs and risk exposures.

Section 1: Insurance Industry stakeholders & terms explained

Distinction between life and general insurance

Life insurance involves cover relating to the life of a person, as opposed to general insurance which focuses on other forms of cover for elements such as motor, home and travel insurance. There are a few key distinctions between the two:

- The policy time period for life insurance is much longer, as these plans generally stretch over 15-20 years or more, while general insurance plans are short-term and are typically renewed yearly.
- Premium payments for general insurance are paid at once, as opposed to recurring sums in life insurance plans.
- Regarding claims, general insurance policies will detail which unfavourable events are claim worthy, such as unforeseen car loss or damage under a motor insurance policy. Life insurance claims on the other hand occur once the policyholder has passed.

Proposer

The term proposer simply refers to someone who proposes to enter into any insurance policy contract with a given insurer.

Policyholder

Once someone buys a policy, they are known as a policyholder. They can opt to include other people in their policy too depending on the policy.

Insured

The term insured refers to policyholders. To be 'insured' you must be covered by an insurance policy.

What is a broker?

Insurance brokers work on behalf of their clients



1 in 4

AUSTRALIAN BUSINESSES ARE AT RISK OF BUSINESS FAILURE FOLLOWING JUST ONE INSURABLE EVENT

to provide professional advice regarding insurance policies and risk management strategies. They are not insurers and they do not work for insurers.

What is an Insurance agent?

Insurance agents represent insurance companies by selling policies to consumers for a commission. Bellrock is not an Insurance agent and does not represent any insurer.

Section 2: Why do I need Business Insurance?

It is required by law

In some circumstances, certain insurances are required by law.

- Workers compensation insurance is compulsory for any business with employees.
- Third party personal injury insurance is compulsory if you own a motor vehicle.
- Public liability insurance is compulsory for certain businesses in order to obtain a license.

It is required by contract

In some scenarios, a contract between your business and a third party requires you to hold certain insurances:

Agreements with your clients, suppliers and service providers

Most businesses you desire to work with will require that you have certain forms of insurance in order to enter into the contractual agreement. This largely depends on the specific duties and obligations which must be met. These policies include public liability, products recall, cyber, professional indemnity and marine insurance.

Leases or hire agreements

With regard to lease or hire agreements, business insurance – covering elements such as plate glass damage, and public liability insurance – are generally required.

To properly discharge your duties as a director of a company

Directors of a company have an obligation to



62%

OF AUSTRALIAN SMEs ARE
NOT ADEQUATELY INSURED

discharge their duties in the best interests of the corporation. This includes mitigating against foreseeable risks a company may have. Insurance usually forms part of this risk mitigation.

Risks of not being adequately insured

If you haven't yet given much consideration to insuring your business you are certainly not alone. Studies estimate that around 62% of Australian SMEs are under insured. What many people are unaware of, is just how devastating the impact of under-insurance can be on your business. A study by QBE has identified that roughly 1 in 4 Australian business are at risk of business failure following just one insurable event.

This guide aims to assist you in identifying the insurances you should consider to protect your business against its risk exposures and the financial impacts of insurable adverse events.

Section 3: What types of insurance do I need?

In this section we explain, one by one, the different types of insurance you should consider, what they cover and why they are important.

Insurance required by Law:

Workers Compensation Insurance

As mentioned earlier, at law all employers must hold workers compensation.

What is it and why do I need it?

Workers compensation insurance covers costs, expenses and wages for a worker who has been injured in the course of their employment. The coverage scheme varies depending on state, with provisions such as medical and hospital expenses, lump sum payments or weekly benefits.

Claims example

A worker sustains a back injury when moving goods to be sold. The policy will pay wages and medical expenses and the insurer will assist in an appropriate return of work process.

How much does it cost?

Pricing is dependant upon industry, number of employees, wages, categories of work performed by

the company's employees (manual labour will have a higher rate than clerical and office workers) and claims history. For example, a workers compensation policy for a company with 5 employees (including working directors) that has wages of \$330,000 per year and a turnover of \$1m with no claims will pay around \$2,750 in annual premium.

Insurance required ordinarily under contract

Public & Products Liability Insurance

What is it and why do I need it?

Public liability insurance provides cover in the event that someone is hurt, or if their property is destroyed or damaged in the course of the business's operations. Public liability insurance is contractually required in some instances. Even if it isn't, it provides your business with an important safety net; as claims made against your business for personal injury or property damage can be very expensive and time consuming, not to mention that it could interfere with your ability to handle other business tasks.

Products liability insurance provides cover and protects business against claims by third parties relating to property damage or personal injury caused by your products.

It is common practice for both Public and Products Liability to be offered as a combined product.

Claims example

A retailer mops the floors clean in their store isles. They forget to place a 'slippery when wet' sign in the area, and someone injures themselves when they walk through the aisle and slip. Public liability insurance would provide cover for the claimant's claim and legal defence costs of the business in this situation.

In contrast, Products Liability would be in circumstances where a "Product" has caused personal injury or property. An example of this would relate to the supply of food goods in which a contaminant was present which subsequently caused personal injury.

How much will it cost?

Depending on the risk of the business and the procedures that are in place, policies generally start from around \$1,000 for a \$20M limit.

Products Recall Insurance

What is it and why do I need it?

Products recall insurance is specifically designed for manufacturers, producers and suppliers. It provides comprehensive cover in the event of a product

recall – an event which could alternatively create a significant financial burden on the business. Products recall insurance is particularly relevant in the food and beverage space where product recalls number around 63 per year in Australia.

Claims example

A retailer/supplier realises that one of its stocked food items contains small pieces of plastic (or other contaminate or foreign body) due to manufacturer error. The retailer/supplier would be covered for the costs of recalling the product through this form of policy.

How much will it cost?

As these are very niche products, the premiums generally start at \$5,000 depending on the products and revenue size of the business, this generally purchases a limit of \$1M.

Cyber insurance

What is it and why do I need it?

Cyber liability insurance provides cover for a business' financial losses as a result of a number of cyber-related incidents such as ransomware, cryptoware, denial of service (Dos) attack, malware, viruses, worms, and social engineering fraud. It also covers the costs of notifying persons whose data has been misappropriated as a result of the breach and the costs to pay damages and legal costs to defend claims for privacy breaches.

The average cost of a cyber incident to a business in Australia is \$276,000. The frequency of these breaches is also on the rise with 164 cybercrime reports made by Australians every day. That's one every 9 minutes. Cyber Liability Insurance can help businesses manage the risk of these threats by covering losses arising from cyber related incidents and related claims.

Claims example

A complaint is made by a patient to the Privacy Commissioner after a pharmacist suffers a cyber attack and health information is misused or lost. A cyber liability policy will provide cover for the costs of notifying the affected individuals and the legal costs of responding to the investigation by the Privacy Commissioner.

A hacker infiltrates and shuts down your network so that your business cannot operate. A cyber policy will

cover your revenue loss as a result of your business being interrupted by the attack.

How much will it cost?

Due to the increasing incidence of claims, the premium for Cyber Insurance is increasing rapidly. Insurers look favourably upon businesses who are aware of the types of cyber risk they are most vulnerable to and have taken measures to manage these risks. For example, Bellrock works with an organisation called Cynch to assist small businesses with developing an effective Cyber risk management plan. In some cases insurers will not offer cover unless a risk management plan and certain cyber risk protocols are in place. In terms of premium pricing, depending on the processes and procedures of your IT network and security, policies tend to start at around \$1,500 for a limit of \$250K.

Professional Indemnity (or Errors and Omissions) Insurance

What is it and why do I need it?

Professional indemnity or "PI" insurance is designed to protect professionals and their businesses from allegations made against them that they have failed to adequately provide "professional services". As a result of that failure, parties relying on their "professional services" have, or are likely to, suffer loss. Insurers will indemnify the policyholder for: defence costs and expenses - to assist the defence of the allegations; and damages - comprising of various forms of financial loss resultant of the liability of the professional.

Claims example

A homeowner might identify weathertightness issues in their building causing them to pay repair costs to rectify the issues. The owner might sue their architect, builder or engineer seeking recover of those rectification costs. A PI policy will pay for the building professional's legal costs to defend the claim and damages to the owner.

How much will it cost?

There are many factors that contribute to the pricing of Professional Indemnity such as the type of qualification you hold, your work type, staff numbers and annual revenue. As an example of premium pricing- If you were deemed a miscellaneous consultant you could purchase annual PI insurance for \$1,000 for a \$2M limit.

Marine insurance

What is it and why do I need it?

Marine policies give coverage on both land and sea and can provide valuable insurance for businesses involved in transporting goods. Marine insurance



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CYBER CRIME REPORTS ARE MADE
BY AUSTRALIANS EVERY DAY

policies can be tailored to cover a range of different risks but its primary purpose in the case of an SME supplier would be to cover goods transported by road, rail, air or sea from collection point to delivery point. This covers costs incurred with incidents involving lost goods, third party injury and property damage.

Claims example

Due to adverse weather conditions, goods inside a transport vessel are pushed around and damaged. The business can rely on marine insurance to cover costs associated with replacing these damaged goods.

How much will it cost?

Marine Insurance continues to be one of the cheapest insurances in the market. Policies start around \$400 and will cover your goods in transit anywhere in Australia. For imports and exports, this would likely increase to \$1,000.

Insurances relating to Lease and hire agreements

Plate glass

Most commercial lease contracts will require that insurance is attained which covers damage to and loss of property, including plate glass. Plate glass simply refers to a type of glass which is traditionally used for windows, glass doors and more.

Public liability, in particular goods in care, custody and control

An exclusion under public liability insurance policies is called care, custody, or control. This refers to cases where compensation for the insured is removed as a result of a property being placed in their care being damaged. It usually applies to property that is not owned by the insured, but rather property that they've rented or goods that they were responsible for transporting safely.

Insurances required to adequately discharge directors' duties

Management Liability Insurance

Management liability insurance provides cover to the directors and officers of a company for claims made against them in relation to their management of the company. It provides company cover for:

- Employment practices claims (unfair dismissal, workplace discrimination/harassment);
- Regulatory investigations following workplace incidents
- Financial losses from employee theft or external crime incidents

- Tax audits

This is important for any small business as a way to mitigate the financial risk that comes as a result of costly employee error or action.

Other Insurances you may require, depending on your business circumstances include:

Crime Insurance

Crime insurance refers to coverage in the event of fraud, theft or damage committed against the business by an employee or unknown third party. While certain measures can be implemented to help mitigate this risk, it is nonetheless important for businesses to obtain crime cover to prevent potential financial stress. Specific coverage options include elements such as employee theft, social engineering (or imitation) fraud, , client cover, premises cover and forgery cover to name a few.

Personal Accident Insurance

Personal accident insurance provides cover for employees who are unable to work due to injury. Depending on the specific type of policy, this cover will generally provide monetary benefits over the period of time which it is determined that the employee cannot work. There are also options for the cover to extend to instances where there is accidental death or disablement, where the money will be transferred to the beneficiaries. It is encouraged that employees obtain personal accident insurance to ensure that they remain financially stable at times when they most need it.

Corporate Travel Insurance

Corporate travel insurance refers to cover for the common risks associated with interstate or overseas business travel. This cover typically includes aspects such as emergency medical situations, loss of luggage, flight cancellations, loss of deposits, loss of travel documents, and personal liability. This kind of cover is important for employees who rely on travel for their work, as it mitigates the risk of financial burden and stress when involved in an incident away from home.

Motor Vehicle Fleet Insurance

Motor vehicle fleet insurance provides cover in relation to any incidents of theft, loss or damage to a range of vehicles. This policy is important for any business which operates through the use of vehicles, as the cover applies to all vehicles, not just a specific one. Absence of motor vehicle insurance can severely increase business expenses in the event that repair or replacement is needed.

Non-general insurance – particularly for start-ups & smaller businesses that are contingent:

Key Person Insurance

Key person insurance is a type of life insurance policy which a business buys to protect it in the event a 'key person' such as an owner, director or another prominent figure within the business dies or becomes permanently disabled or suffers a serious trauma that renders them unable to work.. As the beneficiary of the policy, the company pays the premiums. This insurance is important in circumstances where the death of that person would be devastating to the business's overall function. This can be especially critical for small businesses as they tend not to be as well equipped to handle such event in the same way a more established business would be able to.

Death & TPD Insurance

Death, total and permanent disability (TPD) insurance is a type of life insurance which provides a lump sum of money to your nominated beneficiaries in the event of your death or diagnosis of a terminal illness. Alternatively, it covers your expenses if you become totally or permanently disabled; in this case, it specifically covers aspects such as rehabilitation costs, future costs of living, and debts.

Income Protection and All Salary Continuance Insurance.

Income protection and all salary continuance insurance provides essentially the same cover as personal accident insurance, while also covering you for instances where you are sick and unable to work. Therefore it is quite a comprehensive policy which is important as it ensures that your financial situation is not affected by an unforeseen incident.

Section 4: How to obtain quotes

Regarding Workers' Compensation Insurance, in the Government managed state schemes which include NSW, SA, QLD & VIC insurance can be obtained directly via the relevant online portal.

For all other states and territories, proposal forms will need to be completed.

For further information on workers' compensation schemes by state, we direct you to the Insurance Council of Australia's Understand Insurance website.



SME top 3

THE MOST FREQUENT CLAIMS FOR SMEs ARE THEFT & BURGLARY, STORM DAMAGE AND PROPERTY DAMAGE.

The page on this topic can be found here¹.

For all other types of insurance, speak to a professional advisor such as Bellrock whose role it is to obtain appropriate cover at the most competitive price. The broker you select should:

- Be experienced in the nature of your business and industry.
- Identify with you as a partner and risk manager – engage to advise, not to sell.
- Set clear remuneration and fee structures.

In the ordinary course, you will need for each class of insurance, to provide information to your broker or insurer to obtain quotations.

It is critical all information provided is true and accurate. Any failure will almost always result in claims being denied.

Remember your policy will not commence until you provide formal instructions for it to do so.

Section 5: Next steps

Obtain a risk Assessment

Should you wish to obtain further advice and quotations via Bellrock, we can undertake an uninsured risk assessment of your business identifying the covers you require at law, under contract and what is adequate for your business.

Following this assessment, Bellrock will obtain quotations for each class of insurance you require.

Bellrock will not charge any Seedlab affiliated business to undertake the assessment or obtain quotation terms.

To arrange a risk assessment via Bellrock please email us at: seedlab@bellrock.sydney

Further information and resources

The Bellrock website www.bellrock.com.au houses a wide range of articles which provide a good source of information on different aspects of business insurance. Peruse the full range of articles here.²

¹ <https://understandinsurance.com.au/types-of-insurance/workers-compensation>

² <https://www.bellrock.com.au/news-articles/>

Measurably
Different



Bellrock Broking (NSW) Pty Ltd
ABN 78 611 143 410 | AFSL 520 281

Suite 401, 55 Lime St Sydney NSW 2000
Ph +61 2 9188 2460
seedlab@bellrock.sydney
www.bellrock.com.au