

The Simple Guide to Insurance for SMEs.

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What to consider when insuring your business.

As a phrase it sounds marvellous, particularly if you've never actually tried it: 'working for yourself'. It conjures images of pursuing your passion for a living, setting your own schedule and never having to manage up again.

The truth is that running your own business can be one of the most challenging experiences that a person can undertake. It can also be one of the most rewarding.

To see all your hard work pay off once your business begins to take flight is an incomparable feeling of achievement, but as anyone who runs a business knows, the journey also comes with its fair share of bumps in the road, some of them potentially big enough to send you spinning in to the trees.

This doesn't mean you have to be flying blind, however. Many others have already been on a similar journey, so learning from them and protecting yourself against potential mishaps – especially if you're a small-to-medium-sized enterprise (SME) – is of paramount importance.

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it can also protect your material assets; like stock, machinery and other business-related equipment.

Businesses can be at the mercy of events beyond their control, such as an unexpected fire or natural disasters, and having insurance to cover you for financial losses caused by these events can be the difference between your business surviving or collapsing.

Many businesses also underestimate the level of cover required, which can have serious ramifications – especially if you're involved in a claim against your business where legal costs are involved. In the worst case scenario, you could be liable for costs of thousands if not millions of dollars, so having the right insurance might save you from losing your hard earned assets, that could include the family home.

The good news is that there are a variety of insurance options to cover most types of business and their specific areas of risk, allowing you the safety net you need to enjoy the continued success of your business without any additional worry.

Assessing risks

Often, running a business means you're putting your own finances at risk, so it makes sense to mitigate that risk in order to avoid suffering a blow to your livelihood should any problems arise.

What kind of risks you're susceptible to varies hugely between businesses – a rural general store, say, is going to have very different risks than an urban industrial cleaning business, and their insurance policies will be quite different as a result.



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Part One.

How does insurance for business work?

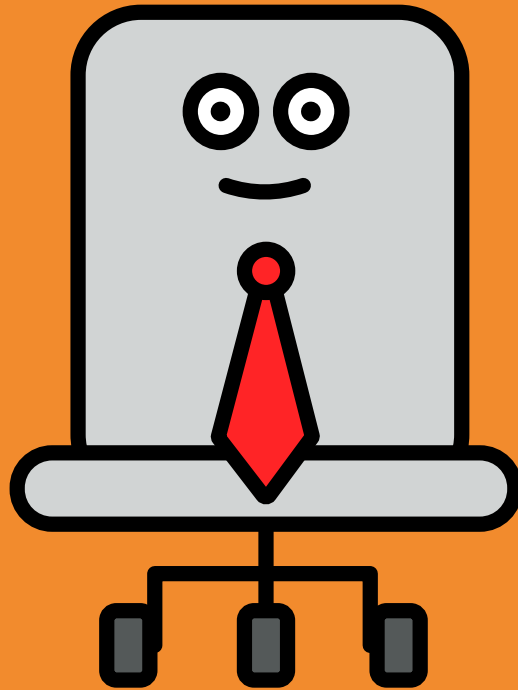
Both running a business and going about your day-to-day personal life present their own set of unavoidable risks, but in terms of personal insurance and business insurance, there are some important differences to be aware of, including:

- Personal insurance has your name on the policy, whereas business insurance typically has the business name on the policy, unless you're a sole trader. It's important to know whose name is on the policy as it defines who is able to collect payment in the event of an insurance claim.
- Business insurance usually covers more than personal insurance, including things like business furniture, tools and machinery and inventory.
- Most businesses have a greater exposure to liability than most individuals, so the policy limits and insurance excesses for a business policy are higher.

In simple terms, business insurance works like this: a business pays a premium to keep itself protected, and if it encounters an unforeseen circumstance that's covered in its insurance policy – such as property damage, theft, legal fees and costs involved with any other injuries or damage that has occurred within a business – the insurer will cover either a full or partial amount of the costs.

The greatest benefit from this is peace of mind; that is, knowing that if your business is hit with an incident that causes a financial loss, the right insurance will take care of you and make sure that you can recover and continue trading.

Business insurance policies run the spectrum from comprehensive cover for large companies all the way down to basic cover for self-employed professionals whose coverage needs aren't as extensive.



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Part Two.

What are the types of business insurance?

There are many types of business liability insurance, which help cover the costs of liability claims made against your business. The three most common types taken out by SMEs are: public, statutory and employers' liability insurance.

Liability can also mean different things to different businesses – for example, those working in a trade are typically more likely to face a public liability claim against them since they're often working on other people's properties, whereas those running a retail concern will be more likely to need cover specific to their employees and any customers that are on their premises as well as liability they may face depending

on the nature of the product they are selling.

Public liability

This is a critical form of business insurance, and for good reason: if any person not employed by you has their property damaged and the fault lies with your business, this will cover you for compensation claims, as well as repair costs and legal fees set out in the policy.

Also, if a business is looking for a supplier or contractor for a particular job, those who have public liability insurance (also known as 'General' or 'Broadform' liability) will appear far more attractive to them, which is something to keep in mind. >



Statutory liability

If you accidentally breach New Zealand law, this type of insurance can cover the costs of certain fines or legal defence fees.

Employers' liability

If any of your employees is harmed or injured in connection with your business, your business may need to provide cover for any incidents that aren't covered by the Accident Compensation Corporation (ACC).

Employers' liability insurance provides cover for claims made against your business, as well as any legal fees incurred when defending them.

Business vehicle

This is fairly straightforward: that is, it covers your business vehicles against accidental damage or liability for damage to other vehicles, as well as other legal defence and liability costs. Business vehicle insurance can cover anything from a single car up to an entire fleet of vehicles.

Business interruption insurance will help cover any lost income so you can continue to pay staff, outstanding bills and other business-related expenses.

Business assets

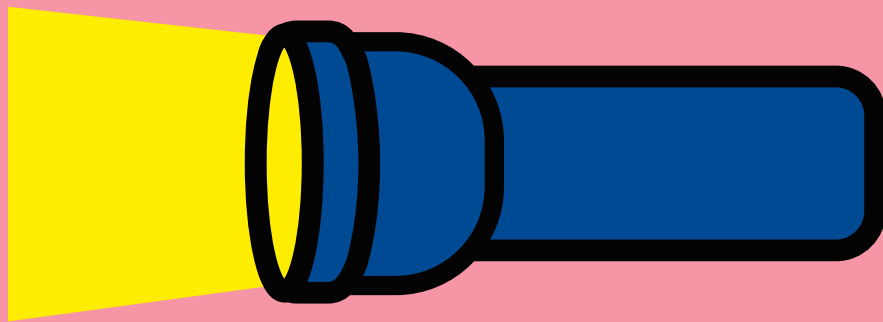
This covers you against any accidental damage, loss or theft of your equipment, your stock or inventory and any buildings that you may own.

Business interruption

If you suffer loss or damage to an area of your business due to an unforeseen circumstance that prevents you from operating as per usual that is covered by your policy, business interruption

insurance will help cover any lost income so you can continue to pay staff, outstanding bills and other business-related expenses.

Business Interruption insurance can help cover wage or salary payments, loss or reduction in profit, additional costs necessarily incurred, costs of preparing your claim, and more following loss or damage to property covered by your Business Assets policy.



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Part Three.

How do I know what's right for me and my business?

When it comes to calculating your premium – the amount you pay to the insurer so that you'll be financially covered in the event of an unforeseen incident – the insurer will weigh up a variety of different factors. These can include:

- The location of your business premises
- The type of service or product your business supplies
- The type of equipment, machinery or stock that your business holds
- The number of employees that you have
- The type of customers you serve
- Any previous insurance claims or uninsured losses you may have made
- What kind of security systems you have in place.
- Your business revenue or turnover

What to get covered?

'It's better to be safe than sorry' may be a cliché, but there's a very good reason for that: history has proven it correct, time and again.

When considering what you require coverage for, think of the risks and worst-case scenarios that your business may encounter – things like natural disasters, accidental damage caused to someone else's property that your business is liable for, or having to close down for a period due to an unforeseeable event, such as a fire or flood at your store.

How much cover would you need to put your business back into the same position as it enjoyed prior to an insured loss? This is the amount you should be insuring yourself for, as >



under-insuring your business can place you in a vulnerable situation (unsuitable policies will often leave you under-insured or responsible for a high-excess amount should you be placed in a situation where you need to make a claim).

Before purchasing a policy, go over every detail to make sure that you're insured for everything that you would

potentially need coverage for, and check that the excess is an amount that you could afford to pay should things go pear-shaped.

Last but not least, it's important to know that even if you're working from home – a far more common scenario these days – you may also need business insurance to cover things like lost income or potential legal costs.

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