

# Insurance Tips

## Scone Chamber of Commerce

### Why insure your business

Underinsurance is alive and well in the Australian business community. The reality is, too many small businesses are at risk of hardship because they are underinsured. Not having sufficient insurance is a common mistake and it is often something that is not thought about until a significant loss is experienced.

### Review your policies regularly

As a business owner, it is important to regularly review your insurance policy to ensure that it keeps pace with the growth in your business and inflation. A general rule of thumb is to review all insurance levels every time they come up for renewal. Take the time to read through the amounts and the small print before you send off your premium. If you are not sure of anything contact your broker or your insurer direct.

### Make savings safely

During challenging times, there is a natural tendency to look at every item of expenditure. Insurance premiums like everything else come under the microscope, but there are dangers for the unwary if sums insured are reduced solely to achieve cost savings.

If the survival of the business is dependent on premium savings, it may be better to consider a higher level of excess rather than a reduction in sums insured. The level of risk to the business can then be contained to the dollar value of the excess, rather than the shortfall created by the level of underinsurance.

### Insure for value changes

If you own your own property you need to be wary that insufficient cover can emerge over time. So even if you correctly estimate your cover in the first place and then annually increase the sum insured, it can still lag behind the actual rise in building costs. ASIC research found that while the CPI increased by 17 percent between March 2000 and March 2005, building costs in fact rose by 33 percent.

### Business interruption protection is essential

It is important for business owners to have adequate business interruption protection. It can sometimes take months or even years to rebuild after a major loss, so having cover for a business' cash flow while it gets back on its feet after a major loss can make a difference on whether or not a business survives an interruption.

