

Guide: Insurances

Introduction

While insurance requirements vary greatly from one business to another, the following is a guide to the most common types.

Commercial Building

Covers full replacement value including loss of rental income for 12-24 months minimum and landlord liability.

Material Damage

Covers the assets of your business such as buildings, stock, plant and equipment against physical loss, destruction or damage.

When arranging insurance, you may cover stock, buildings and plant for their full replacement cost and allow for seasonal increases in stock values.

Income Protection

Insures against loss of gross profit following damage to the assets of your business.

The increased cost of operating your business after such misfortune may also be covered plus outstanding debtors and loss of rent receivable.

Business Interruption

Covers the loss of income that a business suffers after a disaster while its facility is being rebuilt.

The sum insured should be for the full Gross Profit figure allowing for trends over the next year or two. An adequate indemnity period is vital: 12-24 months minimum.

Public Products/Liability

Including Statutory Liability and Employer's Liability. Insures you against claims, for which you are legally liable, made on your business by members of the public as a result of death, injury or damage to property. You can also be protected against claims related to the following events:

- The nature, condition or quality of products you sell or supply
- Your liability as a tenant
- Your liability for the goods of others left in your custody

Burglary

Covers loss of or damage to stock, plant, equipment and other contents caused by burglars. You select the amount of protection required which can allow for seasonal increases in stock value.

In addition, the policy automatically provides cover for damage to premises sustained in a burglary, costs of temporary security following a break in, and replacement of locks should keys be stolen.

Glass Breakage

Enables you to insure against breakage of fixed external and internal glass and other nominated breakable objects such as signs.

The policy automatically covers damage to frames replacing signwriting and ornamentation, damage to

stock, and costs of temporarily shutting.

Money

Provides protection for money while in transit, on your business premises during and outside normal business hours, while in a locked safe, and while in the private residences of authorised persons.

Damage to safes and strong rooms may also be covered and seasonal increases in money held may also be allowed for.

Employee Dishonesty

Enables you to insure against the risk of employees fraudulently or dishonestly taking money or goods belonging to your business.

Electrical Mechanical Breakdown

Allows you to insure nominated items of electrical and mechanical plant against sudden and unforeseen physical damage.

In addition, refrigerated stock may be covered against deterioration following damage to insured refrigeration equipment.

Computer and Electronic Equipment

Insures nominated computers and electronic equipment against sudden and unforeseen damage.

Cover may also be arranged to meet data media restoration costs following loss of information and the increased costs of maintaining a substitute data processing system after an insured equipment breakdown.

Special Risks — General Property

Covers specified property anywhere in New Zealand against accidental physical loss, destruction or damage.

Valuable plant and equipment items taken away from your business location should be insured under this section.

Motor Vehicle

Covers specified motor vehicles against accidental damage and theft plus your legal liability for damage that insured vehicles may cause to the property of others.

Marine/Transit

Covers stock, equipment, livestock, refrigerated produce, liquids etc. being transported within the country and overseas. Nowadays, Marine insurance is often grouped with Aviation and Transit (ie cargo) risks, and in this form is known by the acronym 'MAT'.

For transit within New Zealand by land or air, transit insurance can give you a choice of insuring nominated property while in transit against either:

- Accidental damage; or
- The more limited risks of fire, flood, collision, or overturning of the conveying vehicle

Personal Accident and Illness

Allows you to insure any number of specified persons (usually proprietors or partners) world-wide, 24 hours a day, seven days a week.

You may nominate the cover required for weekly benefits payable for up to 104 weeks in the event of accident or illness and lump sum amounts in the event of death or major disabling injuries caused by

accident.

Key Person

Also known as keyman insurance, it compensates for financial losses and facilitates business continuity arising from the death or extended incapacity of the member of the business specified on the policy.

It does not indemnify the actual losses incurred but compensates with a fixed monetary sum as specified on the insurance policy.

Most business people are aware of the need to insure against loss of property or assets through fire or theft but they often overlook their most important asset.

What would happen to your business if a key person was permanently disabled or died? Knock-on effects would include:

- Profitability decline due to the loss of key sales or production staff
- Money would need to be outlaid to find a suitable replacement
- Pressure would be placed on remaining staff and/or family members
- Credit may be affected if the bank becomes aware of the impact on the business
- The remaining employees might feel that their future is insecure

Life insurance arranged on the life of your key employees and owned by the business, will provide a cash infusion in the event of death or disablement of key people.

Business Insurance Life Plan

A life insurance plan will provide the cash required to repay a business loan on the death or disablement of a principal. Such loans are usually secured by a charge over the business assets and the guarantees of the principals.

Cash provided by life insurance will discharge the business' liability, protecting the business assets and the estates of the guarantors.

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Last reviewed on 16 June 2016