

ARE YOU RISKING YOUR BUSINESS?

Proper insurance cover is vital to protect your business and its future prosperity. It is prudent, however, to ensure that you select the right cover for your business at the right price. The cover you select will be specific to your business. It is important that those paying the bills know where their potential risks lie and cover them as appropriate.

The primary purpose of insurance is the payment by insurers of claims for unexpected losses incurred by those insured. That is the crux – unexpected losses – you never can know what might go wrong.

In this article I will outline some of the business risks typically covered by a Fire and General insurer. The next article will cover those insurable risks covered by the Life Assurance companies ie There are two distinctly separate areas that need to be looked at.

Public Liability (Broadform or Standard) – Damage to the person or property of others is covered under this. Even if you have taken all the necessary precautions, accidents do occur and you cannot prevent a third party from making bodily injury or property damage claim against you – especially if the accident is deemed to be caused by your negligence, wittingly or unwittingly. Liability for personal injury in NZ is usually covered by ACC, and a compensation claim is not usually possible under present law. However, if a personal injury does result in a claim for compensation or punitive and exemplary damages, defence costs and settlements are insurable under a *public liability policy*.

Professional Liability provides cover for negligent advice, service and errors or omissions in the performance of professional services. Claims against this area of insurance are increasing as we become a more litigious society. It is important that professionals keep accurate diary records of client dealings and also work through a definite provable process each time, so that if any action is taken you can provide clear and accurate records to the court.

Statutory Liability provides for breach of statutory obligations. Many acts include penalty provisions, and a breach may involve costly Court action eg Health and Safety in Employment Act, Privacy Act, Building Act, Resource Management Act, etc. The insured must have made a genuine attempt to comply with the law, in which case the penalties imposed are mostly insurable under this policy.

Employer Liability often covered in conjunction with Statutory liability, also covers employee injury where ACC may not come to the party.

Directors' and Officers' or Trustees' liability covers these people for mismanagement/wrongful acts in operating an organisation or trust. Without this you could be found personally liable for your own actions or those of your colleagues.

Business Interruption. How would you manage if a fire, flood, tornado etc damaged your business premises so that they are temporarily unusable? This will cover you for loss of income while your premises are out of action.

Material damage, Commercial Motor Insurance, Machinery breakdown insurance and Theft by employees are also usually covered in conjunction with these other covers.

Insurance will not cover you for gross negligence and reasonable steps to comply with responsible and prudent business practices must be demonstrated. At the same time you cannot be expected to know every letter of the law and unexpected or unforeseen occurrences unfortunately do occur.

If running your business from home or freelancing with home as your base, don't assume that normal household insurance will cover business needs – usually it won't. Home with business cover policies may do the trick but it pays to check, you could well be exposed in a number of the above areas.

An insurance broker will learn or know a little bit about how your organisation functions and then prioritise the different risks to the organisation so that you can obtain the best cover for your money.

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