



## UNDERINSURANCE IS A SERIOUS BUSINESS RISK. ARE YOU INSURED ENOUGH?

Many businesses only realise they are underinsured once it's already too late. Underinsurance, having an insurance policy without enough sum insured to cover potential losses, is increasingly becoming a major business risk.

### One in ten Australian businesses have inadequate insurance cover

Research from the **Insurance Council of Australia** reveals that 1 in 10 Australian businesses with insurance don't have sufficient cover to protect themselves against business disruption, legal liabilities or loss or damage to their assets.

### Check your sum insured is enough to cover potential losses

Some business owners are driven by low premiums and don't take the time to make sure they are adequately protected after an insurable event. As a result, the sum insured may not be enough to cover losses – or the terms of their policy may limit the amount that can be recovered.

In addition, sometimes business owners underestimate either the reinstatement or replacement costs of their business assets after a damaging event such as a fire or storm. If the sum insured doesn't reflect an up to date reinstatement or replacement cost, the owners will be underinsured and may face substantial out-of-pocket expenses if they need to make a claim.



### Are you at risk of being underinsured?

If you answer 'yes' to any of these then you are likely to be underinsured.

1. Your insurance cover isn't updated with changed circumstances (you may not have changed your insurance in years and your business has since grown in size and assets).
2. Your 'sum insured' is not enough to cover losses because your current insurance is based on out of date replacement costs of your business assets.
3. Your coverage is limited to your business premises only and does not include consideration of other types of financial loss like business interruption, professional indemnity and management liability.



## Case study examples:

### Illustrate the importance of having the right/enough insurance

INSURANCE COVER	CASE STUDY EXAMPLE	WITH INSURANCE	WITHOUT INSURANCE
<b>Business Interruption</b>	A beauty salon is significantly damaged when the ceiling caves in during a storm. The business must close for 8 weeks for repairs. Employees and rent must still be paid despite no customers or income.	The owner has Business Interruption insurance in place which can cover the amount of lost income while the business is closed.	The beauty salon loses two months of revenue and yet still has to pay rent, staff wages and other ongoing costs. With no customers, it cannot generate enough income to make up for the lost profit while closed and is forced to close as a result.
<b>Professional Indemnity</b>	A building surveyor provides a defective design such that the building needs to be demolished and rebuilt. The client sues the surveyor for all of these costs.	The surveyor has Professional Indemnity Insurance which can cover the building replacement cost as well as many of the ensuing legal costs.	The surveyor simply can't afford to cover the costs of a whole new rebuild and is forced into liquidation.
<b>Property</b>	A restaurant has a fire in the kitchen causing major damage to the contents, fixtures and fittings.	The owner has Property insurance in place with sums insured that represent the full replacement value. The insurer covers the cost of new equipment and the kitchen fit-out.	The owner has Property insurance in place, but the sums insured have not been reviewed for a number of years and do not represent the full replacement value. The insurer may only pay a portion of the claim leaving the owner out of pocket.
<b>Management Liability</b>	A Printing shop terminates the employment of a worker, due to grounds of misconduct. She sues for unfair dismissal, wins and is awarded a large payout.	The business can be covered for damages and most legal costs with Management Liability insurance.	The owner of the Printing shop has to sell the company in order to fund the payout.

### How a Resilium Adviser can help

As a qualified and Authorised representative of **Resilium Insurance Broking**, we have the knowledge and experience to examine your business' level of risk.

Talk to us today so you can have peace of mind that your property and assets are adequately insured should the worst-case scenario take place.

*This material contains general information only and may not suit your particular circumstances. The precise coverage afforded is subject to the statements and information in the relevant Product Disclosure Statement (PDS) and the terms and conditions of the insurance Policy when issued. Before deciding to acquire any insurance product, you should obtain and consider the relevant PDS or Policy wording available by contacting our office.*

## FOR MORE INFORMATION CONTACT US TODAY

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