

Business Insurance – Business expenses insurance

If you are self-employed or in a small partnership, your extended absence from the business through sickness or injury can have a major impact on the business' ongoing viability, and the financial security of your family.

Business Expenses Insurance may help protect you by paying a monthly benefit you or your business to help cover the fixed business expenses that continue to be incurred while you are unable to work due to illness or injury.

How it works

You can insure for reimbursement of up to 100% of 'eligible business expenses' which generally include:

- premises expenses: cleaning, insurance, interest (and in some cases principal) payments and fees on loan to finance the premises, property rates/taxes, rent, repairs and maintenance, security costs.
- services expenses: electricity, fixed telephone and fax lines, gas, internet, mobile telephone, postage and couriers, water and sewerage.
- equipment: depreciation, motor vehicle leasing, insurance of vehicles and equipment, registration of vehicles, repairs and maintenance.
- salaries and related costs: salaries of employees who do not generate any business income plus payroll tax and superannuation (SG) contributions for these employees.
- other eligible expenses: account keeping fees, accounting and auditing fees, bank fees and charges, business insurances, professional association membership fees, regular advertising costs.

Waiting Period

If a successful claim is made a waiting period will usually apply before benefits start to be paid. The waiting period may be as short as 14 days but is usually one to three months. The shorter the waiting period, the higher the premium. The maximum time that payments continue is usually 12 months.

Policy Ownership

The insurance policy should be owned by the entity responsible for paying the expenses (i.e. you or your business).

The premiums are tax deductible to the policy owner but claim benefits received are treated as assessable income. This is offset by tax deductions for the expenses paid.

Benefits

The main benefit of Business Expenses Insurance is that if you are unable to work due to illness or injury, it may provide a monthly benefit that can be used to:

- keep on top of your business expenses, and/or
- ensure you have a saleable asset if you are unable to return to work.

This may also help protect your wealth as you will be less likely to have to use your own savings to keep the business running in the event of illness or injury.

Risks, consequences and other important things to consider

These include:

- Benefits are usually paid monthly in arrears so your first payment would be issued one month after the end of your waiting period.
- Benefit payment is usually excluded if you suffer sickness or injury as a result of war (or an act of war) or a self-inflicted act.
- Before selecting an insurance policy, you should always carefully read the Product Disclosure Statement (PDS) and policy document, and once you have selected an insurance policy, you should keep these documents in a safe place.

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