



SMEs and Insurance

A pulse check on risk trends for businesses



Getting the right insurance for right now

SMEs are incredibly diverse so understanding how a business might be exposed can be difficult for a business owner. It's important SMEs understand the risks their business faces on a daily basis and get insurance that protects their most important asset - their livelihood.

If you're expanding your business, it's good practice to keep your broker or insurance professional in the loop so they can help you keep your coverage up to date.

We recently had a large claim from a client via one of our broker partners where the client had challenges around the level of cover. The client's business premises and everything in it had been completely destroyed in a fire.

In this case, the business had grown exponentially in a short space of time, which was great. It is a manufacturing company with a growing customer base, so it had expanded its premises and invested in more equipment to increase production and meet customer demand.

But the fire happened in the middle of a policy period, which meant the client had to make a claim before the next policy renewal.

Unfortunately, when the business lost everything in the fire - the business premises, machinery and equipment - the liability and property cover in place wasn't enough to cover the damage. The client hadn't told the broker about how much the business had grown, so some of its insured limits were set based on the business as it looked at the last renewal, not how the business looks now.

The key lesson here is that if your business is growing, so are your exposures to risk. And this can also include increased exposures to liabilities as your premises, manufacturing and customer bases expand. Therefore, your insurance needs to keep pace with your risks.

A good broker can help you understand whether your insurance coverage is still appropriate as your business changes.

Your broker will talk through what the past 12 months have looked like so they can understand what has potentially changed, including any increased liabilities and exposures. In some cases they might recommend a change within the next insurance policy.

If your business is growing, touch base with your broker or insurance professional and let them know there are changes in your business. Make sure you include some description of the changes so they can help you identify what you need to be covered for and advise you appropriately.

At QBE we understand insurance plays a vital role in enabling small business. This report and the insights from our own data and the SMEs we surveyed has reinforced how insurance helps SMEs to protect and grow their business.

Aaron Gavin,

General Manager,
Small to Medium Enterprises (SME)
QBE Australia



Protecting your customers, your staff and your business

10 most common liability incidents that can impact your business

<p>1</p> <p>Faulty workmanship</p> 	<p>2</p> <p>Accidental damage to the property of others</p> 	<p>3</p> <p>Water damage</p> 	<p>4</p> <p>Impact/damage by vehicle</p> 	<p>5</p> <p>Slip, trip and fall</p> 
<p>6</p> <p>Excavation and drilling damage</p> 	<p>7</p> <p>Impact by object injury</p> 	<p>8</p> <p>Lifting, carrying or putting down objects</p> 	<p>9</p> <p>Faulty product</p> 	<p>10</p> <p>Fire</p> 

Source: QBE liability claims data 2015 to April 2019

Protecting your customers, your staff and your business

You have a duty of care to protect your customers from harm, whatever the size and nature of your business. The incidents may not even be your fault, but they occur across all industries, affecting people and property, and costing Australian businesses millions of dollars each year.



“When people think of insurance they tend to think more of their tangible assets like property, the business property or electronic equipment first,” says Aaron Gavin, QBE General Manager, Small to Medium Enterprises.

And while assets are important, some of the most commonly occurring claims are when someone has injured themselves while on a business premises or involved in that business. “This means that liability is the most commonly taken cover in small to medium enterprises,” Gavin explains.

Liability insurance can pay compensation for injury, or damage that has occurred at your business. For example, incidents like a slip and fall or a trip and fall are among the most commonly occurring incidents.

The good news is that liability is generally more straight forward than other kinds of insurance.



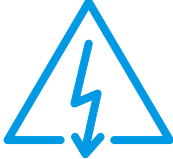







“Having liability insurance is fairly intuitive. If people are visiting your business premises and something happens to them while they’re there, then you can be legally liable for whatever injuries they incur,” Gavin explains.

“It’s not like a property scenario where you’re going through and identifying each individual piece of property and working out the right sum to insure them for. Liability is set up differently and generally you have a limit of liability which is, for most sorts of business insurance policies, either 10 or 20 million dollars.”

Which claims cost the most in your industry?

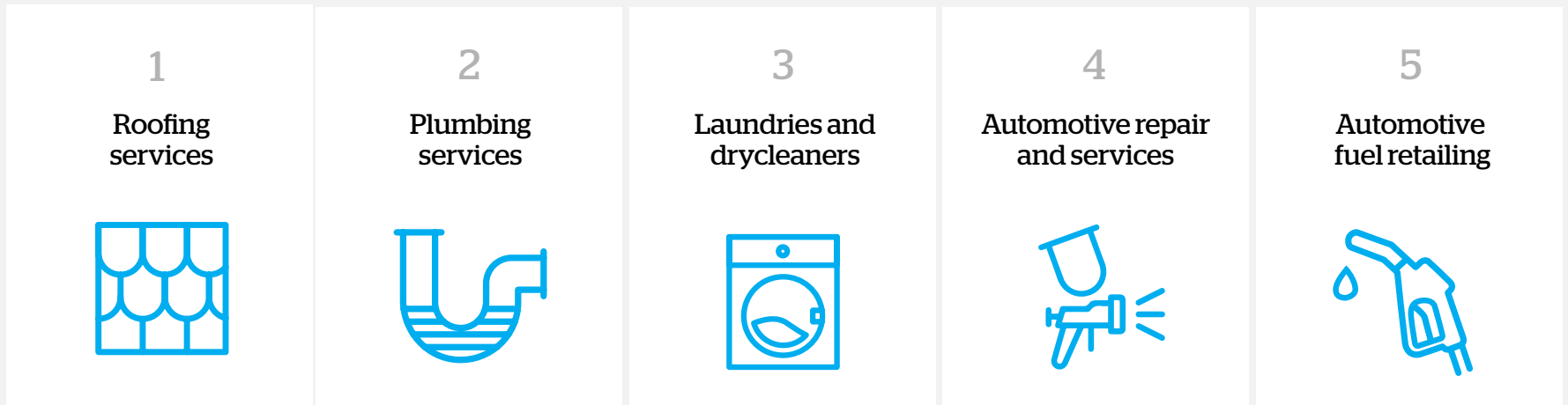
The incidents that can have the highest financial impact on your business are not always the most commonly occurring incidents. And many of these high cost claims incidents relate to injuries, not just to property damage. So, it's important to protect your customers, your business, employees and yourself through adequate insurance coverage.

Top ten most expensive claims were related to incidents involving:

1 Injury to labour hire personnel 	2 Injury to third party worker 	3 Electrocution 	4 Fire 	5 Defamation slander 
6 Trapped by machinery or equipment 	7 Physical assault injury 	8 Faulty Product 	9 Slip and fall injury 	10 Impact by object injury 






Source: QBE liability claims data 2015 to April 2019, claim categories ordered according to the average incurred per loss.

Top five highest claiming sectors:



Source: QBE liability claims data 2015 to April 2019, based on frequency of claims

Which claims cost the most in your industry?

	1	2	3	4	5
	 Accommodation and Food Preparation Sector	 Transport, Postal and Warehousing Sector	 Administrative and Support Sector	 Rental, Hiring and Real Estate	 Manufacturing Sector
Largest bodily injury claim	Machinery \$1,061,382	Fire \$571,255	Third party worker \$551,542.63	Electrocution \$499,809	Animal \$347,266
Average bodily injury claim	\$41,877	\$58,877	\$48,429	\$35,536	\$50,257
Largest property damage claim	Contamination \$516,233	Fire \$88,660	Spray drift \$33,626	Fire \$43,184	Faulty Product \$140,971
Average property damage	\$15,394	\$12,032	\$4,132	\$5,700	\$29,750

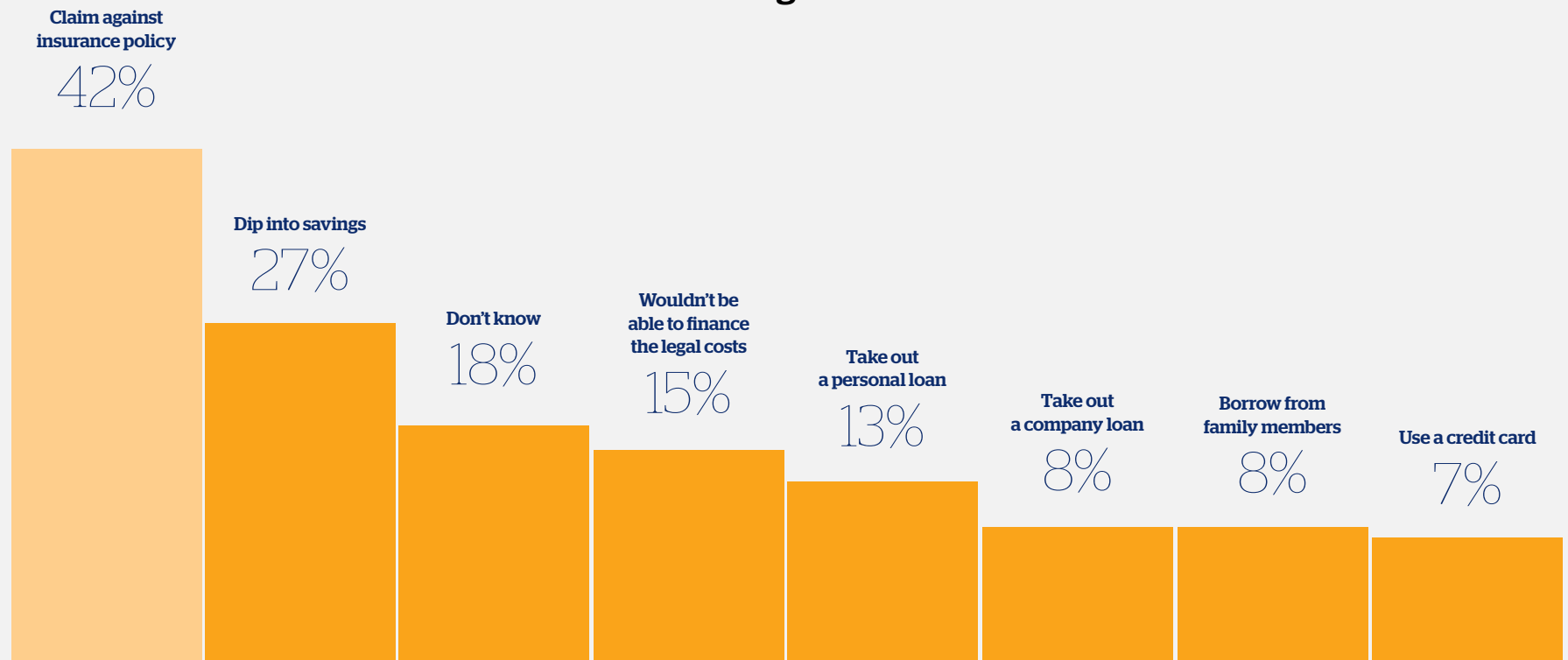
Source: QBE liability claims data 2015 to April 2019

Paying for a claim

How would you pay for a claim if an incident happened? The majority of SMEs surveyed revealed they would likely run up large personal debts if they had to pay for claims themselves without insurance.

These debts range from taking out a personal loan to using a credit card, from dipping into savings to simply not knowing where the money would come from. And the financial strain could be enough to put them out of business.

Covering the cost



Source: Pure Profile research study of 609 Australian SMEs completed for QBE Insurance during April 2019
Please note: Respondents were asked to select all that apply so percentages will not total 100.

Paying for a claim



Protecting all your business assets

Underestimating the costs of replacing equipment after an incident can put huge financial pressure on your business. And if you're running a small business out of your home, home and contents insurance policies don't pick up your business cover.

Aaron Gavin, QBE General Manager, Small to Medium Enterprises, reveals how a good estimate of your equipment costs can mean your property assets are covered:

"Small businesses need to make sure they've had the right advice about their cover and that it's picking up any exposures which are specific to the business. Many people don't really think through the implications of the little startup business they've got at home and what might happen to them," he states.

Underinsurance is risky too

"We found that small businesses generally understood the need for liability insurance, but where they started to struggle a bit was when considering the right sort of sums they needed to be insured for."

Business owners often focus on the main items of business such as building and contents, stock and plant when thinking about their insurance, but anything that isn't front of mind could be forgotten. If they haven't thought through all the equipment or stock they have they can end up underinsured.

"One way around this is to think, in addition to your other items, what are the things that will impact my ability to continue doing business if they are damaged or not in use? Estimating these with the help of an insurance broker can help you work out the right sum you need to be insured for," Gavin explains.

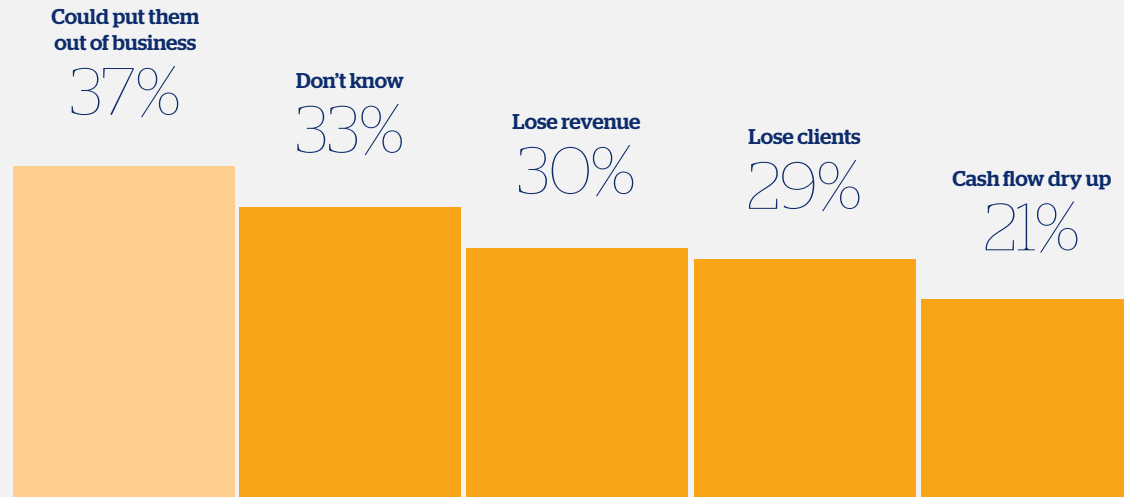
Business impacts of a claim

Being under-insured or having inadequate coverage could be disastrous to a small business owner if a liability claim were made against them.

But the knock-on effects of a business liability claim could also shut them down. For example, of the SMEs surveyed by QBE, 46 per cent also said losing clients was the biggest risk to their cash flow. And 15 percent said a liability claim against them or their business was the biggest risk to their cash flow.

A business simply can't survive if it loses its revenue and clients. And if you lack the right coverage, a liability claim can expose your business to these very real risks.

Top five business impacts of a liability claim



Source: Pure Profile research study of 609 Australian SMEs completed for QBE Insurance during April 2019
Please note: Respondents were asked to select all that apply so percentages will not total 100.

Business impacts of a claim

Liability insurance - you can't put a price on peace of mind

Some small businesses don't take out insurance when they're starting up because of the perceived high cost of the coverage. And, more than half the SMEs surveyed by QBE aren't worried about being the subject of a business liability claim.

But as Aaron Gavin from QBE, and Brigid Shute, CEO of HaloGo a QBE liability insurance customer explain, not only is the cost of insurance worth it, having it might just save your business from closing for good.

The key to getting the right liability coverage is to know your business and to know the risks, explains Gavin:

"If they're starting a business, then most people work out pretty quickly, through basic research and/or speaking to other business owners, that they need a liability cover."

"Liability is the bit that is easiest to understand. If I'm liable for damage or injury to another individual or other people's property, then I need to make sure I've got that cover and that peace of mind."

"If I've got a business that has some computers and I lose them, I know I can replace them and it probably doesn't put me out of business. But if someone gets injured or I provide advice that exposes me, well in that instance, it could put me out of business."

Shute agrees liability insurance is vital when it comes to protecting even the smallest business:

"While the upfront cash investment of public liability insurance can be a considerable sum for a start-up, the long term peace of mind, the safety net it provides my business and the comfort it provides my customers, my employees and my investors, has a value that is far greater than the dollar value that we've invested."

"If I was talking to my more inexperienced self, three years ago, I would say, 'Don't be stupid'. Even with the best will in the world, things can go wrong. And just because it does, it doesn't mean you've done something wrong. It's also not always going to be something you could have predicted."

Where do you turn for advice about insuring your business?

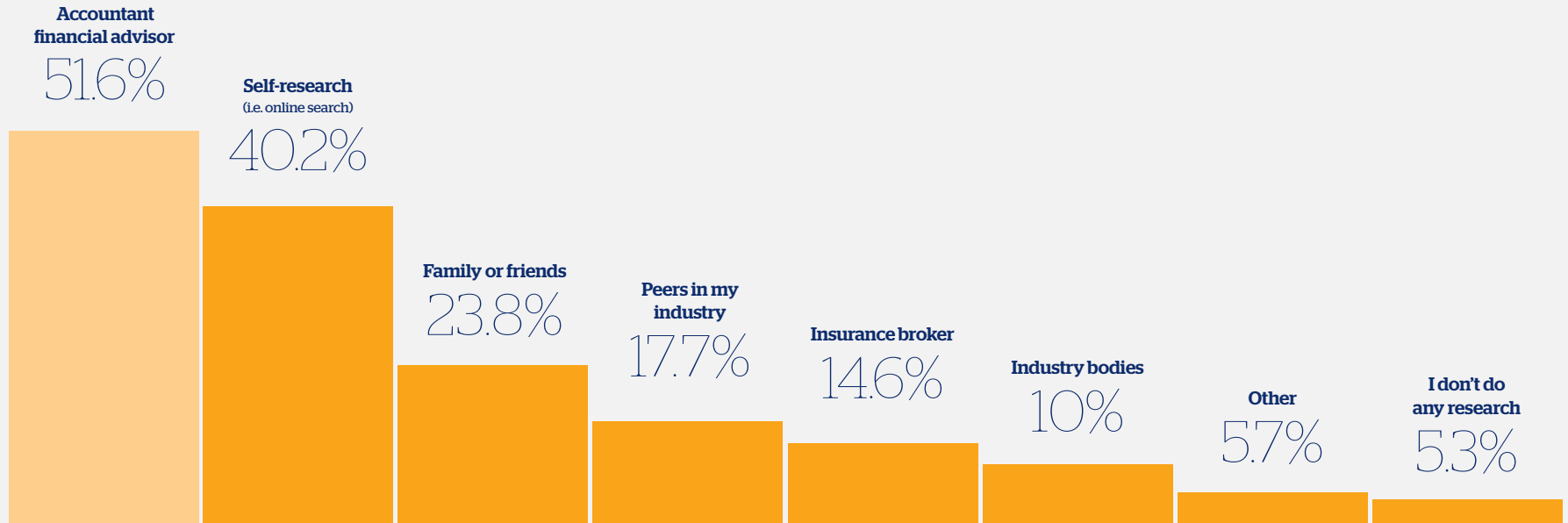
At some point soon, make time to talk with a dedicated insurance advisor about the right coverage for your business.

Most people turn to the internet first when looking for insurance advice. But most of the information you might find online is very general, because it's designed for a broad audience.

And chats with industry peers can only get you so far because even the same types of businesses have different ways of working, different equipment and different risks that all need to be covered.

So if you want personalised advice that's explicitly about your business and its insurance needs, talk with an insurance broker. Getting the right insurance cover could be the difference between recovering well from an incident - or not.

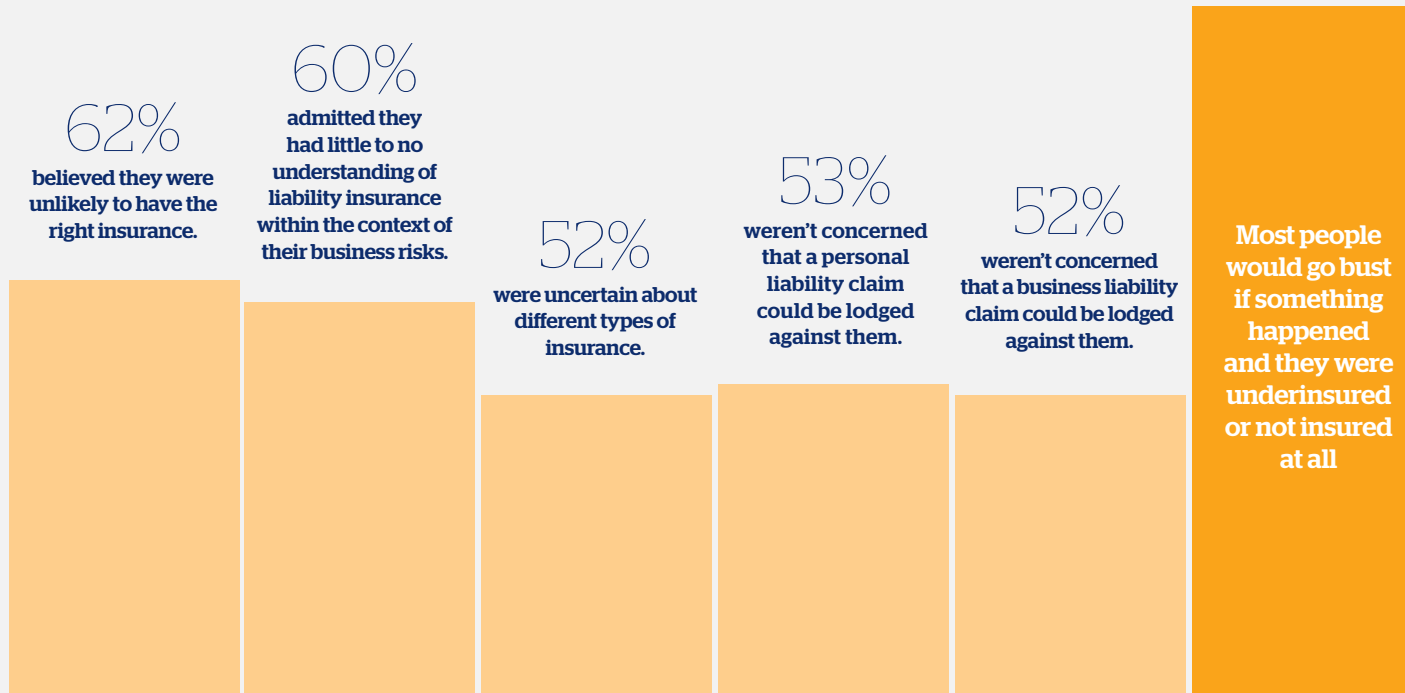
Where do you turn for advice about your business and finances



Source: Pure Profile research study of 609 Australian SMEs completed for QBE Insurance during April 2019
Please note: Respondents were asked to select all that apply so percentages will not total 100.

Underinsurance and business continuity

Many SMEs remain unconcerned they could face a claim against them or would ever need to make an insurance claim themselves.



Source: Pure Profile research study of 609 Australian SMEs completed for QBE Insurance during April 2019
Please note: Respondents were asked to select all that apply so percentages will not total 100.

Underinsurance and business continuity



Expert analysis: why some businesses don't have the right cover

"Most people understand they need some kind of liability insurance, but two of the key insurance mistakes people make are being underinsured for business property and business continuity," states Aaron Gavin, QBE General Manager, Small to Medium Enterprises.

"One really simple example is a tradie. Many tradies work for themselves, and contract or subcontract out their services. Tradies need liability cover because they can't get on the job site without it. They might then decide their tools aren't really worth insuring, so they just take out liability and car insurance. In that example, the tradie will make straightforward purchases for what is a relatively simple cover where the risks are reasonably well understood," Gavin explains.

"But if you've got, say, five employees and you're running a business where you've got clients visiting your premises, then your risk exposures can look and feel quite different. People often cover property assets and liability, but they aren't insured for business continuity. If a fire goes through your premises it can take three weeks to get back up and running. So if you don't have business interruption cover you can lose three weeks of turnover and therefore profit.

"For small businesses in particular, that might actually mean the difference between staying in business and going out of business. We've seen plenty of examples out there where we were able to reinstate the property, and legal liability was covered, but because the business couldn't continue trading and cash flow was impacted, it lost customers and ultimately went out of business," Gavin observes.

Many people are now choosing to self-serve their insurance at the micro, sole-trader, SME end of the market because there are insurance solutions out there they can access directly themselves.

QBE sells through insurance brokers and advocates for engaging an insurance professional who can have the right conversation with you about your business risks, and the type of insurance and level of cover you'll need.

"The simple answer about getting the right cover is that it comes back to the size of your business and to knowing your business. And a broker is ideally placed to help you with that," Gavin says.

Customer story: HaloGo and QBE

HaloGo is a start-up, on-demand fuel delivery service that brings fuel to customers so they don't need to visit a petrol station. Working with fuel means there is a lot of risk, including potential for things to go wrong. Brigid Shute, the founder and CEO of HaloGo, explains how she found the right public liability coverage for her business with QBE.



Customer story: HaloGo and QBE (cont..)



"We needed an insurer who backed our level of risk and a broker who would look at our business information and any possible risks and then support us with insurance," Shute says, pictured with business partner Robert Pacaro.

All of HaloGo's equipment and vehicles needed to be insured because the company's 'place of work' is essentially mobile and in a continually changing physical environment. It also needed public liability insurance as the business delivers fuel outside of the service station environment.

"We needed to get educated around what a public liability policy would and wouldn't include, and the types of scenarios it might cover," Shute remembers. "And so we used a broker from Brookvale Insurers who we knew and trusted to interpret the language and the fine print for us. That expertise was worth its weight in gold."

"I would say to other people who are starting a new business, 'Find a good broker who you feel really comfortable with asking really dumb questions."

"I've now got the peace of mind that I've got QBE behind me if I ever need to use public liability insurance. I could think of nothing worse than if something went wrong and someone got hurt," she says.

"Even a business with minimal financial exposure, like a soy candle maker who sells at market stalls, has risks. And the stuff that happens is the stuff you never read about."

Having the right insurance is about being a responsible business owner who does everything they can upfront to manage risk, Shute concludes.

"An incident will hopefully never happen, but you need to do everything you can to fix it if it does."

Customer story: Anton Brown, Brown and Son Plumbing

Anton Brown always knew he wanted to start his own business, even from an early age. Five years ago after gaining experience with other people he started Brown and Son Plumbing in Adelaide and the business now includes Anton, three experienced plumbers, an apprentice plumber, two admin staff and his wife, who helps with management and bookkeeping.

A few years after starting the business Brown met Ross Christian through an organisation called Business Networking International. The two became firm friends. Their relationship also revealed to Brown the importance of turning to an insurance specialist for the right advice about liabilities.

“Before I met Ross, I thought insurance was just something you had to have, just to get jobs. It wasn’t anything I’d taken that seriously. But when you’re thinking about the nitty gritty included in business insurance, there’s quite a lot to it. Ross explained all those in great detail and continues to,” Brown says.



Customer story: Anton Brown, Brown and Son Plumbing



One of the key benefits of working with Christian is that he makes sure Brown and Son Plumbing has the right liability insurance.

“Public liability insurance is a necessity in my line of work. If I or one of my team members are on a job, and something was to happen to a member of the public or some property is damaged while we’re working on someone’s house that would come under our public liability insurance,” Brown explains.

“We also need to have a minimum of \$20 million in public liability insurance just to be able to work in quite a lot of facilities where our customers are, like large shopping malls.”

Brown was aware of the usual types of incidents that can happen in a business, like fire, property damage and injury. But Christian helped him structure Brown and Son’s business insurance to cover crucial things Brown hadn’t thought of, including tax auditing and business interruption insurance.

“I didn’t know much about those until I spoke with Ross, but they happen to a lot of people,” Brown admits.

Brown and Christian also conducted rigid insurance reviews together annually, which helps Brown to make sure he has the right liability insurance cover.

“We look at our assets and make sure everything is covered and anything that might have changed as far as our work risk, basically anything that could affect us if something happened.”

“Having liability insurance in place means I don’t have to think about those risks too much. Because while assessing and minimising risk on a job is front of mind for me and my team, we also need to make sure we’re protecting members of the public and even other tradespeople who might not have the same approach as us.

“Our aim is to never ever make a claim on our liability insurance, but if we ever have to, then I know that we are safe from anything that happens to us, either as a business or personally,” Brown concludes.

Public Liability insurance and why you need it

Public Liability insurance is also known as General Public and Product Liability insurance. It helps cover your business if someone brings a compensation claim against you for an event connected with your business, even if that incident is not your fault.

Public Liability insurance covers claims such as:

1. Personal injury costs, e.g. a customer is hurt on your business premises and brings claims against you for medical costs and damages.
2. Costs for damage to property of others, e.g. as a result of a fire, water damage, glass breakage, electrical damage or a major spillage.
3. Advertising liability costs, e.g. a regulator brings charges of misleading advertising, a competitor claims that you stole their ideas or a customer claims you invaded their privacy.
4. Legal costs. This will cover the costs that your insurer will incur defending you, as well as any reasonable expenses you incur with your insurer's consent when defending a claim against you.



10 questions about your small business insurance

The point of having business insurance is to be properly covered if you ever need it. Though the wrong policy could see you pay too much for premiums or leave you underinsured.



When your business changes, it's vital to review your policy – factors like equipment upgrades, new premises, and new employees can all mean your old insurance policy no longer fits. Your liabilities tend to grow as your business grows, so make sure you've got the right coverage by asking the following ten questions each time you consider buying a new policy:

1. Does your policy cover liability of employees, temporary staff and independent contractors?
2. Consider your excess. Would you pay a higher premium for a lower excess, or a lower premium for a higher excess?
3. Does your policy cover you for negligence if you make a mistake in running your business?
4. If you operate a specialist business, is your insurer experienced in insuring other companies in your sector?
5. Are you covered for claims that may arise from work done overseas?
6. Does your policy cover your legal expenses if you need to defend a lawsuit – even if your company hasn't made a mistake?
7. Are the monetary limits of coverage adequate for your needs?
8. Does your policy cover you for all your risks?
9. Are there any exclusions you need to be wary of?
10. How would you like to pay the premium? Are annual, quarterly or monthly payments an option?

Learn more about your insurance options

It's simple: insurance brokers can save your business money. They can negotiate with insurers to get you the best prices and tailor an insurance package that makes sure you have the right coverage for right now, Aaron Gavin, QBE's General Manager, SME, explains.

"QBE principally sells through insurance brokers, so we're advocates for engaging an insurance professional who can have the right conversation with you, who can understand your business and therefore the exposures or risks you face. This means they can then advise you appropriately around the sort of insurance and the level of cover you need," Gavin states.

A broker's role is to:

- Help you understand the costs associated with risks you want to cover
- Find insurance plans that work for you
- Set up policies and ensure the required documentation is in order
- Guide you through the claims process if you need to make a claim (check this is part of the service if it's important to you).

Your broker needs to be:

- A specialist - is the broker a specialist in your industry with the experience and insight to meet your needs?
- Responsive - Does the broker respond promptly to your enquiries? Is the information they share helpful?
- Persistent - Do they track down the right information for you?
- Honest - Look for a broker who tells the truth, not just what they think you want to hear.

When choosing a broker it's also wise to check their credentials and decided if they'll be a good fit for you. Questions to ask include:

- Do you have any certifications?
- Are there any types of insurance you specialise in?
- Will you be managing my account?
- How will you bill me for your services?
- Can you provide references?

Finding a broker

If you don't have a reliable personal recommendation, the National Insurance Brokers Association (NIBA)* can help you find an accredited broker.

To find a broker visit NIBA's website: www.needabroker.com.au or call **1300 53 10 73**.

*NIBA members must meet set service standards and adhere to a strict code of ethics. For example, if they're acting as an agent for a particular insurance company, they'll have to be upfront about it. And if you're not happy with your broker – as per NIBA's Insurance Brokers Code of Practice – your broker will refer the issue to a dispute resolution manager.

10 useful articles for small-to-medium businesses from QBE

- 1. What insurance do you need to start a small business?**
www.qbe.com/au/news/insurance-for-a-new-small-business
- 2. Building your business risk minimisation strategy**
www.qbe.com/au/news/building-your-business-risk-minimisation
- 3. How to avoid underinsurance in business**
www.qbe.com/au/news/how-to-avoid-underinsurance-in-business
- 4. How to evaluate your business risks**
www.qbe.com/au/news/how-to-evaluate-your-business-risks
- 5. What is Public Liability Insurance?**
www.qbe.com/au/business-insurance/public-liability
- 6. Small Business insurance that passes the 'easy' test**
www.qbe.com/au/business-insurance/small-business
- 7. 10 key considerations for your small business insurance policy**
www.qbe.com/au/news/10-key-considerations-for-your-business
- 8. How brokers work**
www.qbe.com/au/news/how-brokers-work
- 9. How to find the right broker for you**
www.qbe.com/au/news/how-to-find-the-right-broker
- 10. How to prepare your business for the holidays**
<https://www.qbe.com/au/news/how-to-prepare-your-business-for-the>

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