

BUSINESS EXPENSE INSURANCE

What if I'm not at work or on holidays?

One of the key benefits of a good business expense plan is that it offers cover regardless of where you are or when you become incapacitated. It gives you around the clock protection anywhere in the world.

How do I arrange the right plan?

Applying for business expense insurance is simple if you get the right advice. The first step is to talk to a financial adviser about how to assess your needs and what type of cover will suit you best.

From there they can provide assistance in comparing the relative merits of various policies. Finally, they will help you implement your plan by guiding you through the application and assessment process and ensuring all relevant disclosures and evidence are supplied to your insurer.

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Important Information

This brochure contains general information only and no individual's financial needs or objectives have been taken into account in the preparation of this material. A policy can only be effected after completion of an application form. The Product Disclosure Statement (PDS) will give you more information to help you decide if you want to take up this product. We recommend that you read the PDS, available from your financial adviser or by contacting TOWER on 1800 226 364.



TOWER Protection Policy

DO I NEED BUSINESS EXPENSE INSURANCE?

Questions and Answers



TOWER has developed this guide to provide you, as a business owner, with some information to help determine whether you should obtain business expense protection.

We have attempted to make this analysis simple and to the point, so that you can make an informed choice. It covers some important issues and answers questions such as:

- why do I need business expense insurance?
- how does this cover work?
- how much cover is enough?
- isn't income protection enough?

What is business expense insurance?

Business expense insurance is a highly effective way of protecting the viability of your business from the threat of not being able to pay ongoing business expenses if you are unable to work due to sickness or injury and as a result, a net loss is incurred by the business.

Why do I need it?

Consider for a moment what your most important business assets are. Your initial thoughts might include the obvious and tangible items, such as plant and equipment, vehicles or property.

In many cases however, the most valuable asset is the intangible value of your contribution through your skill, knowledge and motivation to make your business successful.

If you take your presence out of the business, two things are likely to happen:

- the performance of the business would deteriorate
- the expenses of the business would continue largely unabated.

You don't need your accountant to tell you that this is a formula that could send you bankrupt within months, if not weeks.

Business expense insurance offers a valuable solution by covering you for expenses your business is unable to cover while you are off work due to sickness or injury.

Isn't my income protection going to cover me?

Income protection is an excellent way of covering your personal and family living expenses, but it is not designed to cover the expenses of a business. The calculation of an income protection benefit is based on a percentage of personal income and does not take into account any business turnover or expenses.

What if my business partners already have insurance?

The basic principle in assessing whether you qualify to insure business expenses is to determine what proportion of turnover is attributable to your efforts and skills in the business.

Business turnover is normally apportioned between all partners within a business. Therefore each partner must insure their share of the expenses used to generate that turnover.

Your business partners' insurance is of no use to you or them if you are the one who is off work due to sickness or injury.

What if I'm a sole trader?

Being a sole trader makes it absolutely vital that you do something to protect yourself from the liability of fixed expenses. You are totally responsible for the income generation that covers these expenses. If you are not able to earn an income the business could easily collapse under the weight of expenses.

Do I need this cover if it is likely that the business could continue without a net loss being incurred?

Where there are income producing employees, and there is a sole owner, it may be likely that no net loss would be incurred while their employees are doing their job and therefore no benefit would be payable. However, over time, your absence may affect productivity, organisation, staff turnover and ultimately, the income. The business may be in jeopardy and this would be when a Business Expenses policy would be beneficial for this type of business.

How does it work?

A business expense plan will generally work on a reimbursement basis. As expenses are incurred, the plan can be used to pay the bills on a monthly basis. The maximum amount payable is governed by a predetermined monthly amount which you nominate when you first take out the cover.

The expenses covered under the plan need to be of a fixed ongoing nature – in other words the expenses that will be incurred whether or not the business is producing output. This includes such items as rent, leases, utilities, professional fees and office expenses. It does not include expenses that directly relate to production, such as stock.

The benefit payments during disablement will normally continue for up to one year.

What if I'm still capable of working part time?

Many disabilities may cause only partial restriction from performing your work. A good business expense policy will accommodate this by offering partial disability benefit payments for such situations.

How much cover do I need?

Because cover is reimbursed for defined expenses, the level of cover can be calculated with the help of your financial adviser, simply by analysing those expenses.

How do I qualify for a claim?

To be eligible to claim a benefit is a vital aspect of any income protection policy. The major criteria will relate either to:

- loss of income
- performance of duties
- number of hours worked.

This loss will be based on the assessment of medical practitioners, specialists and accountants.

What happens when I return to work and profits have decreased?

It is quite possible that without your skill, influence and drive in the business, profits would reduce during your sickness or injury, even if there were staff who continued to generate some income for the business.

In such a situation it is vital that, once you return to work, your business expense plan can reimburse a proportion of the reduction in profit that has occurred during your absence.

How much will it cost?

The investment you make in this form of insurance may be minimal when you compare it to the potential benefits receivable.

In general, it will amount to a fraction of your income allocated to ensure you keep business expenses covered in the worst of circumstances.