INSURANCE

buildingbathurst

Risks to your business can arise for many reasons, managing those risks is an important part of running your business.

Risks to your business can arise for many reasons – interest rate or price increases, your competitors' activities, injuries through hazards in the workplace, skilled staff leaving, natural disasters or terrorist activities. Managing those risks is an important part of running your business.

Risk management is a process where you make a realistic evaluation of the true level of risk to your business and develop and implement strategies aimed at minimising and managing the risk. Before risks can be properly managed, they need to be identified – you can begin with these questions:

- What can go wrong?
- What impact will it have on my business?
- What can we do to prevent it?
- What do we do if it happens?

Insurance is an effective risk management strategy that you should consider applying in your small business. Taking out the right insurance will help protect your business from financial loss and minimise its exposure to risk.

You should research all of the different types of insurance available to your business including:

- Asset and revenue insurance.
- People insurance.
- Liability insurance.

Before signing up to any type of insurance policy, you need to evaluate its suitability and value in terms of your individual circumstances. Think about:

- What is and what is not covered?
- Are you under-insured?
- Do you understand the term co-insurance?
- When does your protection commence?
- Conditions of insurance.
- The claims procedures.
- Do you understand the terms of a replacement policy?
- Renewal conditions.
- Reputation.
- Compare policies.
- Negotiate pricing.

Home based business:

As a home-based business you need to make sure you have the correct level of insurance to protect yourself, your business and your home. It's also important to understand that standard homeowner policies do not generally provide cover for home-based business activities.

When looking at insurance providers, consider the following types of insurance:

- Public liability cover for persons visiting your business at home (e.g. customers and suppliers).
- Insurance of business equipment, inventory, tools of trade, office furniture or computer equipment.
- Workers' compensation for any employees working from your home.
- Fire, storm and theft cover for the loss of any stock and equipment.
- Professional indemnity insurance if you're in a service industry, especially if you're contracting to government.
- Loss of income due to personal accident or illness.
- Costs arising from interruption to your business.
- Marine policy if you send products via freight carriers or post.

It's important to note that many policies don't cover tools of trade, office furniture or computer equipment used for your business, unless you've specifically advised your insurer and they've agreed to cover you.

Risk cannot be managed unless it is identified. Once the context of the business has been defined, the next step is to use this information to identify as many risks as possible. The aim is to identify the risks that may affect, either negatively or positively, the objectives of the business and all its activity.

You will need to:

- Identify retrospective risks.
- Identify prospective risks.

Retrospective risks are seen in incidents or accidents that have occurred in the past.

Retrospective risk identification is the most common way to identify risk and the easiest. A risk is easier to understand if its impact has already been experienced. It is also easier to quantify its impact and to evaluate the damage. There are many sources of information about retrospective risk including:

- Hazard or incident logs or audit reports.
- Customer complaints.
- Accreditation documents and reports.
- Staff or client surveys.
- Newspapers or professional media, such as journals and websites.

Identifying prospective risks:

Prospective risks are harder to identify. These are things that have not yet happened, but might happen in the future. Identification should cover all risks, whether or not they are currently managed. The plan will be to record all significant risks and monitor the effectiveness of their treatment.

Methods for identifying prospective risks include:

- Brainstorming with staff and external stakeholders.
- Researching the economic, political, legislative and operating environment.
- Interviewing staff and clients to identify potential problems.
- Flow charting a process.
- Reviewing system design or preparing system analysis.

More Information:

- The Australian Government Principal Business Resource: www.business.gov.au/BusinessTopics/Insurance/Pages/default.aspx
- Safe Work Australia: www.safeworkaustralia.gov.au/Pages/default.aspx
- NSW Trade and Investment: www.smallbiz.nsw.gov.au/run/legal/risk/Pages/default.aspx

www.bathurstregion.com.au/building-bathurst/