

Small Business Insurance Factsheet

When preparing tender documents

The NSW Government is working with Councils to increase opportunities for small businesses to participate in local government projects. This factsheet has been designed to assist you in understanding insurance requirements when preparing tender documents.



Why you need insurance

Having the right insurance will help protect your business and minimise your exposure to risk. It's important to think about insurance for your business, as well as your income. Before you choose an insurance policy, you'll need to evaluate your insurance needs.

Some insurers offer insurance package policies specially tailored to cover different business types. Business insurance usually protects things like business assets, customers, employees, business owners and your earnings.

FACT 1

The Insurance Council of Australia estimates that 70% of under insured and uninsured small businesses affected by a major event such as legal claim, fire or storm never recover. It's essential to check your insurance policy or policies to make sure the cover provided is adequate for your business.

NOTE: Construction-related procurement is excluded from this factsheet.



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DISCLAIMER This business factsheet is a guide only. The information contained within does not guarantee accuracy, currency or completeness of any material contained in the business factsheet. Tools and resources are available from NSW Government ProcurePoint which provides a one-point information service for users and businesses. Other information can be found from insurance industry bodies, licenced insurers and insurance brokers.

The business factsheet is purely published for guidance and reference purposes alone.

Types of insurance

Public liability insurance covers claims relating to personal injury or property damage due to a breach in a business' duty of care to third parties. This insurance is important when your business is engaged by local Council to provide a good or a service that interfaces with the general public.

Product liability insurance covers personal injury, property damage and other losses caused by a defective product. Defects in products can include design defects, manufacturing defects, and instructional errors such as inadequate labelling that render the product dangerous.

Professional indemnity covers breaches of professional duty including misleading and deceptive conduct claims, defamation (libel/slander), and dishonesty of the supplier's employees.

If your business provides professional advice, including designs, specifications and project management you might need this type of insurance.

Business insurance checklist

Below is a quick guide to the common types of insurance normally requested by Councils. Note that Councils assess tenders on a case by case basis, taking into account complexity, value and risk.

Business insurance	Required ?	Explanation
Common types of insurance		
Professional indemnity	MAYBE	If you're not providing professional advice, designs, specifications and/or project management, this insurance may not be required.
Public liability	MAYBE	This is an essential insurance cover that protects against the financial risk associated with third party death or injury, loss or property damage.
Product liability	MAYBE	Most public liability policies also extend to product liability. If you sell, supply or deliver goods, even in the form of repair or service, you may need cover for claims against you where goods have caused injury, death or damage.
Compulsory insurance		
Workers compensation (Work Cover)	YES	If you have employees (required by Law).
Motor vehicle third party	YES	If you have motor vehicles.
Optional or voluntary insurance - each business needs to consider their requirements and seek advice		
Building/premises (fire, theft, etc.); Contents and equipment of premises; Stock; Goods in transit; Comprehensive motor vehicle; Personal accident and sickness; Business interruption, Key person (straight insurance or investment linked); Special risks (e.g. hail, rain on an event or key function day or period); and Legal expenses insurance.		

Insurance and procurement

A Council's procurement process includes assessment of risk and complexity in the contract to determine the type and level of insurance required.

Considering that insurance can be a significant cost, you may seek to limit your liability to a specified sum or to a value of cover linked to the contract value.

FACT 2

Prior to agreeing to any limitation of liability, Council may undertake a risk assessment to ensure that the liability cap proposed takes into consideration all relevant risks and the financial consequences.



Key Terms in Government tendering

Under the Small and Medium Enterprises Policy, the NSW Government is improving the way it does business by introducing simplified contracts with plain English terms and conditions for low value, low risk procurement.

FACT 3

For specialised support for small businesses go to: procurepoint.nsw.gov.au

NSW Government is increasing support for small businesses by reducing insurance cover limits where reasonable.

Tenders will normally be very specific about the type and level of insurance cover you'll require in order to successfully fulfil your obligations under the tender. You may be required to submit copies of your Certificates of Currency.

In most cases, tender documents will request information about your business and its resources. To assist Council in making sure you fulfil the insurance requirements, you may need to include safety, risk and environmental management, and quality assurance evidence.

FACT 4

The amount of insurance cover is dependent on certain factors:

- Completion of risk assessment by the Council
- Complexity, value and level of risk of procurement
- Business size, e.g. small business may be quite adequately covered with a \$5 million policy, but a medium to large business with more substantial risks may require cover of \$10 to \$20 million.

Business insurance questionnaire

When reviewing your business insurance requirements, you should consider the following questions:

1. What are your business risks?

- ✓ Do you provide a professional service or give specialist advice?
- ✓ Do you employ any staff, or rely on contractors or suppliers?
- ✓ Do your customers come to you, or do you provide goods and services at their premises?
- ✓ Is your business on physical premises, online, or both?
- ✓ What utilities, equipment, machinery and technology do you need to run your business?

2. What types of insurance do you need?

Don't forget to consider if there are any legislative requirements, industry body or membership requirements for your occupation, as well as requirements under the terms and conditions of your lease.

In addition to **public liability, product liability, professional indemnity, and workers' compensation**, you may also consider **business insurance, cyber liability insurance, management liability insurance, tax audit insurance, personal accident, motor & illness insurance.**

3. How much insurance do you need?

Having the right level of insurance is just as critical as having the right type of insurance. Your business needs to ensure it complies with legal requirements in your state, as well as the minimum limits set by your professional body and Council contracts. You'll normally be required to have a minimum level of public liability or professional indemnity insurance but you may decide that you need a higher level of cover.

4. Understanding policy terms and conditions

Insurance products vary from one insurer to another so it's important to check and compare the policy terms and conditions prior to purchase, which are outlined in the PDS (Product Disclosure Statement).

5. Buying business insurance.

Researching the market can be a time-consuming process. You can choose to either go directly to the insurer, hire an insurance broker or use an online comparison site that allows you to compare policies from several insurers in the one place.

FACT 5

Know your business, research insurances required that best fit your business and don't forget to seek independent advice.

NOTE: This factsheet is not exhaustive or prescriptive as it provides general information only and doesn't replace obtaining independent financial advice, and/or talking to a licenced insurance broker, business advisor or insurer.



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