

# ● BUSINESS EXPENSES INSURANCE

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Business Expenses Insurance protects you by reimbursing you for the fixed business expenses that continue to be incurred by the business while you are unable to work due to an illness or disability.

## BENEFITS

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If you are self-employed or in a small partnership, 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 provides a monthly benefit that can be used to:

- pay for your business expenses, and/or
- ensure you have a saleable asset if you are unable to return to work.

This can also 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.

## HOW IT WORKS

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

- premise expenses: rent, cleaning, insurance, interest and fees on loan to finance the premises, property rates/taxes, 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 including 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.

Generally, a business expenses policy is claimable if you become totally disabled and have served your waiting period. Total disability for business expenses means that due to sickness or injury:

- You are unable to perform at least one of the important duties of your occupation that is necessary to produce business earnings, and
- You are not working for earnings, payment or profit, in any capacity, and
- You are under ongoing medical supervision and treatment.

## WAITING PERIOD

If a successful claim is made a waiting period will 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 period of time, or benefit period for Business Expenses insurance is 12 months

## POLICY OWNERSHIP

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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.

## WHAT YOU NEED TO CONSIDER

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- Benefits are paid monthly in arrears while you are disabled. Your first payment would be received one month after the end of your waiting period.
- The benefit payment is limited to your respective share of the business; if a claim is made only the insured's share of the covered business expenses will be paid
- The benefit payment will be reduced if you are eligible to receive reimbursement for any of the covered expenses from another source, such as other insurances
- You are not eligible for a benefit payment if you suffer sickness or injury due to an act of war, a self-inflicted act, or uncomplicated pregnancy.
- Benefits are paid until you stop being disabled, you reach your maximum benefit period, your Business Expenses insurance ends or if you die
- Business Expenses Insurance does not provide funds to replace the revenue or earnings that the insured person would have generated.
- You should always carefully read the Product Disclosure Statement (PDS) and policy document for your selected insurance policy and keep these documents in a safe place.

## REFERENCES

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You may wish to refer to the following websites for further information about business expenses insurance:

- [www.ato.gov.au](http://www.ato.gov.au)
- [www.moneysmart.gov.au](http://www.moneysmart.gov.au)

The information in this document is of a general nature and does not take into account your own financial objectives, circumstances or needs. You should consider your own personal situation and requirements before making a decision.