

A successful clinic takes years to build – but an accident or disaster could destroy it all in minutes. It is important that a healthcare clinic is protected by a quality business insurance pack, to ensure continuity and appropriate asset and income protection.

## BUSINESS INSURANCE EXPLAINED

### WHAT IS A BUSINESS INSURANCE PACK?

As the name suggests the policy is made up of several sections or areas of cover packaged together. The cover is predominately commercial property or asset related and often includes Public Liability removing the need to have several policies. With the right cover in place, clinic owners can operate their essential business with confidence, knowing that their premises, stock and consumables, equipment, and income are protected.

Business insurance packs offer general protection for several business risks. Most policies have two compulsory sections being Property Damage and Public Liability. The other covers are optional so the pack can be built to reflect your individual clinic's circumstances.

### ESSENTIAL POLICY SECTIONS

There are a number of sections that should be viewed as essential 'must have' covers for a healthcare environment to ensure optimal value and protection.

#### Property Damage

Repair or replacement (at today's cost or value) of property damaged by an insured event. Typically, this would be Buildings, Contents, Equipment, Fit out and Stock.



**HINT** **Underinsurance\*** applies to this section of the policy. It's crucial that the sum insured for assets accurately reflects their current replacement value..

#### Public Or Products Liability

Your liability to pay compensation for personal injury and property damage as well as the costs involved in defending a claim triggered by the policy.

#### Business Interruption

This section should be considered an essential cover for any clinic. The policy covers loss of income, or a short fall in income following insured damage to the business location resulting the inability to trade or reduced trade.



**HINT** **Underinsurance\*** applies to this section of all commercial property policies; it is important that your sum insured reflects the clinic's gross income before tax and expenses with a minimum indemnity period of 12 months. Ideally 18 months is a better choice given the current building timeframes for commercial buildings in Australia.

### WHAT IS UNDERINSURANCE?



**HINT** \* In very basic terms, Underinsurance, also known as co-insurance or the application of a policy *average clause*, occurs when assets are insured for less than their replacement value or replacement cost. Insurers can reduce your claim by the % that the asset/s are underinsured, leaving the policy holder to bear the difference in cost themselves. E.g.: A Building is insured for \$1,000,000, and suffers a claim with repair costs estimated to be \$300,000. However, it is deemed the replacement costs or rebuild value of the building is \$1,500,000. Therefore, the insurer can reduce their claims cost by 33%, leaving the policyholder to contribute \$100,000 to the repairs. Underinsurance tops the list of the biggest pitfall to be aware of, when putting a robust insurance program in place.

## OTHER POLICY SECTIONS

The following covers should be considered and assessed based on your individual clinic's operational environment and risk profile.

### Theft

Repair or replacement of property stolen.

### Money

Loss of money or negotiable instruments.

### Employee Dishonesty

Direct financial loss of the business caused by the dishonest or fraudulent conduct of an employee which is first discovered during the period of insurance.



A Management Liability policy often provides more comprehensive and cost-effective Fidelity coverage than a Business Pack employee dishonesty cover, offering greater value to a clinic.

### Tax Audit

Cover for the costs of being audited by the ATO and other state revenue taxes.

### Glass

For replacing glass inside or outside your premises, including your shopfront windows, mirrors, or display cases.



Glass cover is often required under a commercial lease by the Landlord. Ensure that your Glass cover has appropriate limits for signwriting and illuminated signs.

### Transit

Cover for stock that is in transit on the road, in the air or by sea.

### General Property

Cover for your equipment, laptops, mobile phones away from your premises.

## EQUIPMENT BREAKDOWN COVER

Electronic and Machinery breakdown covers are usually taken together, as many of the items insured under this section of the policy will have both electrical and machinery (motor) components. For many clinics, this cover could be considered as *essential*.

### Electronic Equipment Breakdown

Repairing or replacing electronic equipment that breaks down unexpectedly. Examples could include office equipment, phone systems, desk top computers and vaccine fridges.



Goods in Cold Chamber or Refrigerated Stock is available under this section of the policy. This cover can be suitable for clinics that have stocks of Vaccines and other refrigerated medical supplies or storing patient purchased medications.

### Machinery Breakdown

Cover for costs associated with unexpected machinery breakdown. Examples include air conditioning and vaccine fridges.



Breakdown insurance typically excludes parts, bulbs, seals, and components that have a limited lifespan or require periodic replacement. It's also essential to maintain and service equipment as recommended by the manufacturer.



Many commercial leases require tenants to maintain, service, and repair building machinery like air conditioning. Breakdown insurance can be crucial in avoiding the financial burden of unexpected repairs.

### Loss Of Profits Due To A Breakdown

Ideal if you rely on mechanical / electronic equipment to generate an income. Examples would include Imaging clinics.