



Common Insurance Terms Frequently Asked Questions Types of Insurance

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Common Insurance Terms

Professional Services

This refers to the services you provide to your clients using your professional skills and judgement, and within the scope of your qualifications. When you're arranging insurance that provides cover in relation to your professional services, you will usually see a definition of professional services on your policy documentation. The definition of professional services is important as it defines the activities for which you are covered. If you are not sure if a specific service you provide falls within the definition, it is always best to check.

Run-Off Cover

Run-Off cover provides insurance cover for your past Professional Services after you have permanently ceased work, retired or left your profession. This is particularly important for policies that operate on a "claims made" basis such as professional indemnity insurance, as claims or complaints can be received years after the Professional Services are provided. Some policies require you to pay an additional premium to have run-off cover, whereas some simply require you to apply for the complimentary run-off cover available. Regardless of the option your policy has, you should contact your Broker or Insurer BEFORE you cease your professional services and/or business and BEFORE the policy expires, to arrange the run-off cover. If you have a claims-made policy in place and you retire or cease work without run-off cover or a new policy, then it's likely you will not be covered for claims made against you which relate to your previous work - even if you had a policy in place at the time the relevant service was provided.

Unlimited Retroactive Date

A retroactive date is the date from which an act, error or omission committed in connection with your professional services may be covered by the terms and conditions of the policy. At the very least, the retroactive date should be the date you first commenced providing your professional services. If your policy has an unlimited retroactive date, it means your policy can provide cover for a claim, regardless of when the alleged wrongful act, error or omission was committed, including if the relevant professional services were conducted before the commencement of the current policy, (as long as you were not aware of the claim or a circumstance which might give rise to a claim, before purchasing the new policy).

The reason this is important is because in some cases a claim, complaint or legal action arises from services provided years earlier – and if the policy is on a claims made basis and there isn't an unlimited retroactive date there is a risk claims made against you will not be covered by the policy. For example, some policies provide a retroactive which is the date of inception of the policy - this means that the policy will not provide cover for claims made (arising from the nominated professional services) if they were rendered before the policy period commenced.

Certificate of Currency

This is a document which confirms the details of an insurance policy. It may include details of the policy type, sums insured, professional services or business description, the policy period, and importantly, the entity or insured name. Third parties such as lenders may request a copy of your Certificate of Currency to confirm you have appropriate insurance in place before advancing funds.

Contractual Liability

Insurance policies often apply exclusions for liability that you agree to accept by signing a contract, if that liability did not already apply at law. This is sometimes called an assumed liability, as you are assuming responsibility for the risk when this would not have been the case in the absence of the contractual agreement. Often, assumed liability arises by agreeing to an indemnity clause in a contract. Therefore, it is always recommended that legal advice be obtained before signing a contract.

Vicarious liability

Vicarious liability arises where one party (the principal) is held responsible for the actions of another party. An example of this is that employers are typically vicariously liable for the acts of their employees. In the event of a claim, the principal, might be brought into the legal action and may be held liable for the incident.

Limit of Indemnity (Sum Insured)

This may also be referred to as the sum insured. It shows the level of cover provided by a policy, subject to its terms and conditions, including any applicable exclusions. Your policy may have a limit of liability, sub-limits and also an aggregate limit. The limit of liability is typically the amount you are covered for any ONE claim, although sub-limits may apply to certain liabilities. The aggregate limit, is the maximum amount the policy will cover if there are multiple (unrelated) claims, in any one period of insurance.

Excess

The excess is the amount payable by an insured when making a claim on the policy. Some claims may also be subject to excess periods, which refers to the amount of time that must elapse before cover under the policy is available. An example of a claim that may operate with an excess period is a claim for business interruption.

Duty of Disclosure

The duty of disclosure means that before you enter into a contract of insurance, you have an obligation to advise your Broker / Insurer anything that you know or a reasonable person would consider to impact the insurers decision to insure you. This is an ongoing duty and if you have a change of circumstances during a policy period you are also required to update the insurer. If you are uncertain about whether a particular matter should be disclosed, please contact your Broker or Insurer to discuss.

Non-disclosure

If you fail to take reasonable care in disclosing information to your insurance broker in the case of Consumer Contracts, or do not tell the insurer anything you are required to the insurer may cancel your insurance or reduce the amount that it is required to pay you if you make a claim, or both. If your failure to disclose is fraudulent, the insurer may refuse to pay a claim and treat the insurance policy as if it never existed.

Underinsurance – Business Pack

This applies to policies which are designed to insure tangible assets, such as with a Business Insurance Pack. Under this policy, the value nominated to insure assets is required to be the new replacement value. If a lesser value is insured then in the event of a claim, the insurer can rely on an underinsurance policy condition. Practically this means the amount an insurer is required to pay for a claim can be proportionally reduced in line with the amount of underinsurance. Each policy will vary slightly, so it's very important to review your assets and consider how much it would cost to replace everything new.

In some cases – for example, a building -it may be necessary to seek a professional valuation. Keep in mind that there are also differences between insurance valuations and bank valuations, and for insurance purposes you may be required to obtain an insurance valuation.



Business Interruption: Indemnity Period - Business Pack

The indemnity period under business interruption cover relates to the period of time the policy will respond to a claim. The policy period will generally remain as 12 months, however the indemnity period for business interruption losses can be different. Although the options vary between insurers, the time periods generally offered are 18, 24 or 36 months. This means from the date a Business is interrupted by an insured incident, the policy will respond for the selected indemnity period, or until the business has been able to recover to its pre-operative position (whichever is the lesser).

When deciding on an indemnity period, you may ask yourself the following questions to help determine whether a period of 12 months or more would suit you:

- Are you heavily reliant on your business premises, due to reasons such as: location / size of the premises / your office is linked to another business in the same building / referrals may be impacted by your location?
- Would it be difficult to find a replacement building, in your preferred suburb?
- Do you have equipment that needs to be manufactured and/or could take a long time to replace?
- Could your client base be impacted and take additional time to re-establish if an insured interruption happened, that meant you were not able to run your business for some time?
- Do you own the building? If so, you may also cover your loss of rental income. It's common for the process of rebuilding to take longer than 12 months, which means a 12-month indemnity period may not be adequate and in addition to this, if you have previously leased to a third party, you may have to find a new tenant.

Frequently Asked Questions

What does claims-made mean?

A claims-made type of insurance cover means that the policy must be active at the time a claim is made for the policy to be able respond to the claim. A claim may not necessarily be covered by the policy simply because the policy was active when the conduct giving rise to the claim or circumstance occurred. Remember you're required to tell your insurer in writing of any claims or incidents that might result in a claim against you as soon as reasonably practicable, but before the expiry of your current policy. This might even be as simple as a client mentioning they're going to make a complaint against you. If you become aware of a potential claim or circumstance and do not notify your broker, this may affect the coverage of the claim under your policy, or worse, leave you uninsured altogether.

Does it really matter if the insured name on my policy isn't exactly correct?

It's very important to have the correct (entity) insured name listed on insurance policies because the policy provides cover to the named Insured. If this is not correct and a claim arises, it could result in the policy not responding to provide cover. A legal entity can be an individual, company or organization that has legal rights and responsibilities, for example the right to sign contracts and the responsibility to pay debts. A trading name is not typically the legal entity and if only a trading name appears on the insurance policy documents and a claim is made against the legal entity (as opposed to the trading name) – it may be that the legal entity is not insured – as only a trading name was listed.

Does a change of circumstances need to be notified to your Broker/Insurer?

A failure to advise the insurer of changes to your circumstances could result in you being left uninsured in the event of a claim. An example of the sorts of things you should advise the insurer of are noted below (these may not be relevant to all insurance policies, so if you're unsure discuss with your Broker/Insurer):

- Location change.
- Change to assets – buying a building/increasing stock/purchasing new contents.
- Change in turnover.
- Increase in the number of premises/ sites owned or occupied.
- Change to the nature of business activities/professional services.
- Insured name – changed or additional insureds.
- Changing the business structure.

Does hiring a Contractor impact my insurance?

If you're about to hire a contractor or thinking of hiring one, we recommend you review your insurance to make sure the policy will cover your business for insured incidents that result from the actions of your contractor – this can be referred to as "vicarious liability". Not all policies provide cover for contractors of the insured entity, so it is important to consider your policy terms and conditions. You'll also need to consider if the activities covered by your insurance policy reflects all the activities conducted by your contractor. Typically, an insurance policy will only cover insured incidents which relate to the professional services listed on the policy schedule. If the policy does not provide cover for contractors, it is important to check that the contractor holds their own insurance to cover the relevant risks.

Does my Contractor need to be insured?

It is important that your contractor has insurance to cover them for the work that they are doing for you, as in some cases claims may be made against you for the work carried out by a contractor. The type of insurance a contractor may require will depend on the type of work they conduct. For example, if a contractor is providing professional services, written or verbal professional advice, the contractor may need to have their own Professional Indemnity Policy.

In addition to this, it is prudent for all contractors to have Public & Products Liability Insurance.

How can I check if my Contractor is insured?

A common way to confirm if a contractor holds insurance at the time of contracting is to request a Certificate of Currency from a potential contractor.

The Certificate of Currency should include the following information:

- Insured name of the person or company
- Period of cover – if the cover is due to expire during the period of the contract, request a follow up certificate near the renewal date.
- The services/activities which will be performed by the contractor.
- The limit of indemnity / sum insured they have should also be shown on the certificate.

Remember to request updated certificates of currency from your contractors annually if they are contracted on an ongoing basis, or earlier if the services / activities being conducted alter during the year.

I'm a Contractor and my client told me I don't require insurance, is this true?

In some cases the Professional Indemnity or Liability policy your client has will insure the clients exposure as a result of the actions of the Contractor (you), however it is likely to exclude the contractor from the policy. So, this means that if you are brought into legal action and do not have your own insurance to cover you / your business, you may have to fund your own legal defense and associated settlement and costs. It is also important to note that if your client has cover under their policy for your work as a contractor, the cover only applies for work that you do for them, and not other work that you may do for yourself or other clients.

What should my limit of Indemnity (sum Insured) be on my Professional Indemnity policy?

There are many different variables depending on your business. Here are a few things to consider in helping you decide the appropriate sum insured to nominate:

- Have you signed any contracts that require you to maintain a certain level of professional indemnity insurance?
- Consider your client base, is there a higher risk associated with your area of practice, or your clients?
- Is it possible that one incident could have multiple claimants which could impact the legal costs and possible settlement?

A client has threatened that they will make a complaint or take legal action, what do I do?

When it comes to a claims made policy, such as Professional Indemnity insurance, you are required to advise of incidents that COULD result in a claim (these are often referred to as circumstances), even if you haven't received confirmation of legal action, a formal notice of enquiry or a letter of complaint. Notifying your Broker / Insurer is a requirement under the policy terms and conditions and needs to be done as soon as practical but BEFORE the policy expires. Remember: the claims made nature of a Professional Indemnity policy also means that the policy must be current at the time a claim is being made, rather than just when the incident took place. Note: if you're unsure if you should advise of an incident, contact your Broker / Insurer to discuss.

I need to put in a claim, what do I do? – Professional Indemnity & Public and Products Liability:

The process for notifying your claim/incident may vary between Brokers/Insurers and the type of policy you hold, so the first step should be to contact your broker and discuss what you need to do. You would usually be asked to email through any documentation and relevant information for your insurer to review and to complete a claim form, once your insurer has reviewed the information, you will then be advised of their indemnity decision (a notice from an insurer which states whether or not a policy will respond to a particular claim and the reasons for their decision). Under many policies, you must notify the insurer in writing about a claim or loss as soon as possible. If this is not done, your right to cover under your policy may be impacted. It is therefore important to provide your insurer with as much time as possible to review the circumstances and respond accordingly. It is important to contact your broker or insurer before admitting any liability or agreeing to settle any claims, as this may prejudice the insurer and reduce or eliminate the cover available to you.

How often should I review my insurance policy?

You have the right to seek access to your information and correct it at any time. You should review your insurance policies at least every 12 months, however if you're about to change your business structure, the services you provide, move location or make another change to your business,

then you should be reviewing your insurance first to determine whether your cover needs to be updated or additional cover arranged. Even if you're unsure, discussing the cover and your concerns with your Broker / Insurer can help make sure you're ticking all the boxes.

What's the difference between Professional Indemnity and Public & Products Liability?

Professional indemnity insurance helps provide cover for claims made against your business by third parties claiming that your specialist professional services or advice have caused them an injury or financial loss. Public & Products Liability insurance provides cover for claims made by a third party relating to personal injury or property damage as a result of an interaction with your business or your products.

Types of Insurance

There are many different types of insurance policies, and they may not all be relevant to you. Your business structure, if you're self-employed, if you are an employee or if you have staff, your business premises and the types of assets you have, all impact the type of insurance you should consider, the following is a high level overview, however speak to your Broker for a detailed discussion regarding your business needs:

Professional Indemnity

Professional Indemnity insurance provides cover in the event a third party alleges your professional advice or services caused an injury or financial loss. This must arise from your negligence or breach of professional duty due to an act, error or omission in the provision of your professional services. For example, as an accountant, you're responsible for advising your clients on some pretty important matters, so if you make a mistake in your calculations, the financial loss to your clients could be significant, which puts you at risk of having legal action taken against you.

Public & Products Liability

Public and Products liability insurance is often available together, rather than as separate policies, though they each cover different risks. Public Liability insurance provides cover for your legal liability for third-party injuries or property damage caused by an interaction with your business, or while on your premises. For example, a member of the public could trip and fall on a mat in your waiting area, or you may break an expensive vase while at a client's home due to your negligent actions.

Workers' Compensation

Workers' Compensation Insurance covers an Employers' liability to a worker for injuries or illnesses arising out of their employment. Workers' Compensation Insurance is mandatory in Australia, but the requirements and legislation varies between the different States and Territories, so you should check with the relevant governing body in your state before arranging this insurance.

Personal Accident & Sickness

Personal Accident & Sickness insurance can protect you in the event of accidental injury, sickness or death by providing a lump sum payment or a weekly benefit to cover loss of salary/wages for a defined period due to an accident or sickness.

Depending on your individual needs and circumstances, Personal Accident insurance can be arranged to cover you for injuries sustained while working or cover you 24/7.

Everyone's professional and personal circumstances are different, and that's why it's important to get the right insurance advice to support your individual needs. In some instances an Income Protection Policy would be more suitable as it can be tailored to suit the individual's needs and financial circumstances. If income protection or another financial lines policy is required, speaking to a financial advisor is recommended.

Business Insurance Pack

Business Insurance Pack insurance is designed to protect businesses and their assets against certain unexpected events. It has multiple cover options, and it can include cover for damage to your business premises and/or equipment caused by fire, storm, theft, and other insured perils.

A key part of this policy is Business Interruption cover, which can include cover for lost revenue if your business is unable to operate as usual due to an insured incident, resulting from damage or loss of your insured property.

Business Insurance is made up of several sections of cover, and you can choose the sections that relate to your business, however each Business Pack Policy may offer different sections of cover along with varying levels of cover, so discussing the policy with your Broker or Insurer is recommended.

If you're operating your business from home, you may still need a Business Pack insurance, as some domestic home & contents policies may not cover business property. You should advise your Broker or Insurer that the business premises are also domestic premises to ensure you have the appropriate cover in place.

Cyber Liability

Cyber insurance helps protect you against loss from certain cyber related threats, such as malware, phishing attacks, or privacy breaches. Cyber insurance can provide cover for losses your business incurs such as your loss of revenue due to the cyber incident or costs to recover your data that has been lost or damaged.

Cyber insurance can also cover costs for which you are legally liable for third party losses, such as those incurred for a privacy breach. For example, if you're storing valuable client data (such as personal details, bank account details, health records) and if this type of personal information is kept digitally in your care, custody or control, it is important to consider the risks of data and security breaches. Costs arising from such a breach can include damages and legal costs and expenses.



Cyber insurance can also provide cover for cyber crime, such as a social engineering attack or an extortion threat. Not all cyber policies provide this cover, so carefully review the cover you are offered if you're considering protecting your business against these risks.

Management Liability

Management liability (ML) insurance is designed to cover you and your business against actual or alleged mismanagement of your business. ML policy coverage can vary depending on which insurer you arrange the policy through, however most ML policies include or provide the option for employment practices liability (EPL). EPL can provide cover for claims brought against you by your employees (or former employees), for allegations such as discrimination, wrongful dismissal or bullying.

Business Travel Insurance

Business Travel insurance provides cover for financial losses incurred on both domestic and international trips. An annual Business Travel policy can be an effective way to manage risk and can provide cover for expenses such as medical and evacuation expenses, cancellation expenses, lost baggage, political and natural disasters, rental and personal vehicle excess and alternative employee expenses. It is preferable for this type of policy to be arranged and reviewed on an annual basis rather than each time a business trip arises. In some instances, business travel policies can provide a more flexible solution with the option to amend certain levels of cover to suit your needs. Speaking to your Broker or Insurer is the best first step in considering Business Travel Insurance.