



INSURANCE

# THE TOP 3 MISTAKES YOU SHOULD NEVER MAKE WITH INSURANCE

## 1. Understanding the sum insured

Sums Insured need to represent the full value of the property. If the policy has an Under Insurance Clause and most do, you will receive a fraction of the amount claimed.

### Under-insurance Clause

This clause applies only if you are under-insured and most policies provide 10-15% room for error. If you are under-insured, the insurer can reduce their liability by the portion that you are uninsured.

For example, if you should be insured for \$100,000 and you are only insured for \$50,000 then you are

taking on 50% of the risk and the insurer is taking 50%. In this case, the insurer may only pay 50% of a claim. If you lodged a claim for the full \$50,000 then the insurer may only pay \$25,000. It is therefore vital that sums insured are accurate.

For this reason, it is important to take care to ensure that your property is insured for its full value.

We encourage you to obtain and regularly update valuations for the replacement cost of your assets including buildings, plant and equipment.

Full insurable value	\$100,000
Selected sum Insured	\$50,000
Cost of repair due to fire damage	\$40,000
Insurer will pay	\$20,000

**You are self-insured  
for 50%.**

**You must pay the  
remaining \$20,000**

## 2. Not telling the facts

When taking out any Insurance you are required to provide all relevant details to the Insurer. If you fail to do so, it is called non-disclosure and the Insurer may be entitled to reduce its liability under the contract. If your non-disclosure is fraudulent, the Insurer may also have the option of avoiding the contract from its beginning.

### Your Duty of Disclosure

You have a duty, under the Insurance Contracts Act, to disclose to the Insurer every matter that you know, or could reasonably be expected to know, that is relevant to the Insurer's decision whether to accept the risk of the insurance.

You have the same duty to disclose those matters before you renew, extend, vary or reinstate a contract of general insurance.

Your duty, however, does not require disclosure of matter:

- that diminish the risk to be undertaken by the Insurer,
- that is of common knowledge,
- that your Insurer knows or, in the ordinary course of his business, ought to know,
- as to which compliance with your duty is waived by the Insurer.

## 3. Don't settle for second best

There is no shortage of options available to you, in fact it can be daunting.

Before taking out insurance consider the following:

- Each business has different risks, identify those risks and minimise, it will save money on insurance.
- Policy excess, how much and when does it apply
- Know the policy sub limits
- Choose an Insurance company with a high credit rating
- Prioritise policy coverage over cost. You get what you pay for.
- Read the policy wording
- Engage an experienced Insurance Broker
- Is Pay by the Month option available

**Every business is different – which means you need an Insurance solution that is tailored for your business. [For more information, contact us today.](#)**



**[www.b2bi.com.au](http://www.b2bi.com.au)**

**+61 2 9979 3033**

**[enquiries@business2businessinsurance.com.au](mailto:enquiries@business2businessinsurance.com.au)**

Ground Floor, Suite 13  
20 Bungan Street, Mona Vale NSW 2103

Level 11, 109 Pitt Street, Sydney NSW 2000

Business 2 Business Insurance CAR 000325541 | ABN 22 073 039 310