



**01:**  
**Danielle Visser**  
risk strategy specialist  
Zurich Life &  
Investments

# Protecting businesses for life

Zurich Business Expenses Insurance addresses key person risk and the extra costs of running a business when sickness or injury occurs

A common misperception held among business owners is that an income protection policy will cover them appropriately when it comes to claim time.

“Our research shows it’s surprisingly rare that business operators stop to think what would happen if illness or injury meant they couldn’t work for a month, or perhaps even longer,” Zurich Life & Investments risk strategy specialist Danielle Visser says.

“The frightening reality is that statistically, before age 65, there is a three in five chance you’ll be unable to work for a month due to a form of illness or injury.”

What business owners rarely understand – until claim time – is that fixed, infrastructure type costs of running the company – think rent, vehicle leases, staff salaries, electricity and phone – are not protected by their income protection sum insured.

“Zurich’s advice partners reminded us businesses have evolved and expenses aren’t always fixed and regular – take for example the total revenue loss that would be incurred if a key person within the business was removed due to illness. We’ve evolved and innovated to help advisers manage this need.”

Zurich Business Expenses Insurance can be combined with the client’s income protection cover, meaning the two products work in tandem. There’s also the benefit of only having one insurer.

Visser says the key is to remember there is an affordable protection solution that can help ensure clients have a business to return to post recovery. It’s a specialist area where advice is valued and critical to determine the best fit for respective clients.

**1. Ongoing Fixed Expenses** – this option covers up to 100% of allowable business expenses, including all the fixed infrastructure-type costs of the business that would continue if the client was not able to work; there are also capital/principal repayments on business debts related to identifiable business assets. Zurich’s business development and underwriting teams can help advisers better understand the terms and conditions around allowable business expenses.

**2. Key Person Replacement** – this cover is designed for business owners who are also key people within the business. The solution helps fund up to 75% of the cost of a replacement to ensure the business continues to operate and meet client service/delivery expectations.

Visser adds the second option is especially useful for businesses who may find it difficult to quantify and therefore protect personal exertion income via an Income Protection policy – as is demonstrated by the case study below.

Both options provide a monthly benefit that reimburses either allowable business expenses or key person replacement costs if the life insured is disabled – and in most cases, for longer than the specified waiting period.

In summary Visser says both business expenses solutions provide an affordable solution for a problem that most business owners “can’t afford not to address – and aren’t unaware of until it’s too late.”

## A case study

An example would be the cost of replacing the salary of a key person within a business:

Let’s say a dentist, John, is 34-years-old and is in a 50/50 partnership with another dentist earning about \$450,000 per annum. He is also married with a family.

The practice also employs three full-time dentists under an arrangement whereby they are each paid 65% of the fees they generate, which equates to about \$250,000 each per annum.

Whilst out running one evening, John trips on the footpath, falls and tears a tendon in his wrist. He will now need to undergo surgery to repair the torn tendon and his doctor has told him he will need four to six months of rehabilitation including some physical therapy.

Unable to work and generate an income during this time off, John will have some significant financial issues to contend with. He will need to fund his usual personal and household expenses like his mortgage, children’s school fees and general living expenses. He will also need to fund the fixed expenses of his dental practice.

While the business would likely continue to generate revenue and make a profit if John was unable to work due to sickness or injury, the business would need a replacement for John to service his clients. The cost of a replacement would be at least equivalent to the \$250,000 paid to each of the full-time dentists (if not more).

## Protection is everything

Zurich says less than 5% of total income replacement premiums across the market are for business expenses. This surprisingly low figure flags an opportunity for growth, given a significant portion of income replacement is for small business owners, Visser says.

“For business owners their business is often everything – their pride, joy and certainly the lifeblood for them and their family,” she says.

“We believe if small-to-medium enterprises better understood the potential illness risk – and how simple and affordable it can be to adequately protect themselves as owners – they just wouldn’t take the risk.”

She adds that such important cover should not be ignored by financial advisers as there is plenty of support at both application and claim time.

Zurich says one of its advisers describes Business Expenses Insurance “like a financial spare tyre for your business – a low cost addition to a protection plan that can mean your client has a business to return to when their health returns.”

The insurer adds that business expenses insurance should be a key component of “every business risk management strategy, regardless of whether you are a dentist running your own practice or a tradesperson with an apprentice.”

For more information or to better understand the terms and conditions around allowable business expenses, contact either the Zurich business development team or the underwriting team. You can also go to [zurich.com.au](http://zurich.com.au). **FS**



### The quote

*Our research shows it’s surprisingly rare that business operators stop to think what would happen if illness or injury meant they couldn’t work for a month, or perhaps even longer.*



Watch the video  
on [www.fsitv.com](http://www.fsitv.com)

### Ongoing Fixed Expenses

Covers the regular, Fixed costs to  
the business



OR

### Key Person Replacement

Cover up to 75% of the cost  
of a replacement

