Do I need Business overheads or expenses insurance?

protect
your business
When you own your own business, it becomes more than just a job because you have so much invested in it, whether it’s time, money or energy. That’s why it’s vital to protect it—and not just the building and contents, but also your contribution to the business.
Depending on your business, different types of insurance are available to help protect your business assets and employees, and can be used as part of your succession planning.

Here, we discuss Business overheads or expenses insurance, which can help to cover your ongoing business expenses if you’re injured or ill and unable to work.

What is Business overheads or expenses insurance?

Business insurance packages can help protect you against a range of contingencies like property damage, burglary, damage to office equipment, as well as looking after your public and product’s liability and professional indemnity insurance.

Another type of cover is business overheads or expenses insurance, which can help you to manage your bills and continue to pay your staff if you are a business owner and you are too sick or injured to go to work. It can give you the peace of mind that your business will continue to operate financially, even if you can’t be there.

This cover can reimburse up to 100% of your regular business expenses like rent, property rates, vehicle leases, and even salaries that you are responsible for, of the non-income producing staff.
Benefits at a glance

– **Your business expenses get covered:** Choose a maximum monthly benefit of up to 100% of eligible business expenses. We’ll waive the premiums for this cover while you are on claim.

– **Time to recover:** The plan will reimburse your business expenses for up to one year while you are unable to work.

– **Up-to-date cover:** To ensure your cover is still relevant in today’s dollars, we take inflation into account by automatically increasing your cover in line with the consumer price index (CPI).

– **Tax benefits:** As a business expense, premiums are generally tax deductible.\(^1\)

– **Coping with peaks and troughs:** In months where you have lower business expenses, you can accrue any unpaid monthly benefit to the next month. We may also extend the benefit period by up to six months if the total amount we have paid is less than 12-times the monthly benefit.

– **Return to work:** We encourage and will support you to return to work at the earliest possible time to minimise the impact of your injury or illness, even if this falls within your waiting period. If you do return to work and happen to have a recurrence, your waiting period does not begin again, we simply add five days to the end.\(^2\)

– **Non-stop cover:** 24 hours a day, worldwide, although benefit payments for some plans may stop after three months unless the insured person returns to Australia or New Zealand.

Make sure you’re covered

Many business owners bundle their Business overheads or expenses insurance with income insurance. Income insurance is a type of personal insurance cover that generally pays up to 75% of your monthly income if you can’t work due to illness or injury. So, with these two types of cover, if you couldn’t work because of illness, your business expenses would be covered and you would be able to still receive an ongoing income to cover your expenses at home, like your rent or mortgage, groceries and utilities while you get back on your feet.

\(^1\) However, any benefit payment would generally be assessable for income tax. We recommend that you speak to your accountant for more details.

\(^2\) This benefit doesn’t apply to all plans. Please check the PDS to find out if it’s included in the plan you are applying for.
Who should consider this cover?

- Small businesses, partnerships with five or less partners and sole traders should consider Business overheads or expenses insurance.
- Businesses where the cash flow generation is due to the services provided, for example professionals or consultants.

Generally, this cover is not suitable for businesses where the cash flow is earned as a result of the sale of goods, for example, retail shopkeepers.

Case study

Daniel is a self-employed plumber. As a fit and healthy 26-year-old, he plays regular sport. While playing football one weekend he injured his knee, which thankfully didn’t require surgery. However, his doctor advised him that he would be unable to attend worksites for eight weeks.

The previous year, Daniel visited his financial planner who warned him of the financial burden he and his business could face if he was unable to work. Being self-employed means that if Daniel is unable to work, both his salary and business’s income could cease. So, on his planner’s recommendation, Daniel acquired both Business overheads or expenses insurance and income insurance.

After assessing his claim, Daniel received consecutive Business overheads or expenses insurance and income insurance payments from AMP, so that he could continue to meet his business expenses, and also continue to pay for his personal living costs. Most importantly, it gave him the flexibility to take the time he needed to fully recover without any added financial stress.

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3 This case study is based on the experience of an AMP customer. A few of the individual’s personal details, including their name, have been changed to protect their identity.
Need more information?

Everyone has different financial needs and to find the best wealth protection solution, you may need professional financial advice. Talk to your financial planner or call AMP Customer Solutions on 137 292.

What you need to know

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