Is your business underinsured? Five common pitfalls SMEs should know about

Many small business owners assume that having insurance means they're fully protected. Unfortunately, this isn't always the case. Underinsurance occurs when your cover doesn't accurately reflect the true cost of replacing assets, rebuilding property, or managing a major disruption. When a claim arises, this can leave your business facing a significant financial shortfall.

Here are five common pitfalls to watch out for:

1. **Underestimating the Value of Property and Assets**
   Inflation, rising construction costs and updated regulations can all increase replacement costs. Many businesses also overlook items such as office fit outs, equipment, signage or external infrastructure.

2. **Failing to Update Sums Insured**
   As your business grows, purchases new equipment or expands operations, your insurance needs evolve. Regular reviews ensure your cover keeps pace with these changes.

3. **Inadequate Business Interruption Cover**
   A fire, flood or other unexpected events can halt trading for weeks or months. Business interruption insurance helps cover ongoing expenses and lost income - but only if limits are calculated appropriately.

4. **Overlooking Liability Exposures**
   Claims arising from professional advice, faulty workmanship, property damage or workplace practices can be costly. Having the right combination of public liability, professional indemnity and management liability cover is essential.

5. **Ignoring Cyber Risks**
   Cybercrime affects businesses of all sizes. Data breaches, ransomware attacks and system outages can result in significant financial losses and business disruption.

How to Protect Your Business

Review your insurance annually, maintain an up-to-date asset register, understand policy exclusions and ensure replacement values reflect current market conditions. Most importantly, discuss changes to your business with your insurance broker.

A broker can help identify gaps, assess emerging risks and ensure your cover aligns with your business's current realities - helping you avoid costly surprises when you need your insurance most.

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CONNECT WITH A GALLAGHER BROKER:
Email: selectbd@ajg.com.au
Phone: 1800 222 012