

## COMMERCIAL COVER

# GETTING DOWN TO BUSINESS

Business insurance offers a big opportunity for advisers ready to take it, providers say.

BY: Susan Edmunds

**R**isk advisers are being warned that they will need to know about business as well as insurance if they want to start offering business insurance products.

Insurance providers say there are good opportunities in the market at the moment for advisers who want to delve into business insurance products, but too many think they can go in unprepared.

Business insurance policies include products that are similar to personal insurance, such as life cover, total and permanent disability cover, trauma and income protection. But there are other aspects to think about, such as key person cover, business continuity insurance and business expenses cover.

Jeff Bailey, technical specialist at Asteron Life, said it was a complex area to work in. "You're having to read company accounts and work with very busy people who sometimes don't want to talk to you... it's a bit more complicated than the mum and dad market, you have to look at buy/sell agreements, agreements to sell shares to the other partners if someone is disabled or deceased... it's a specialised field."

Asteron offers a product called Business Insurance, which includes lump sum cover, monthly income covers including disability and business expenses cover, and an optional business security benefit that increases the cover level without any further health assessment.

Bailey said it was called Business Insurance because the company did not want the connotations that came with calling a product key person insurance. "Business insurance can apply to non-key people. You could cover three shareholders, none of whom are key people, for share purchases. Then you could cover a key person such as a staff member. We try to keep it simple. It's a business insurance policy and that's exactly what it does."

He said the target market was usually small to medium businesses but the product could be



used to cover shareholders of very big businesses.

Rebecca Russell, chief officer of customer management and product at Sovereign, said the company's specialist business products were designed to give customers certainty that their business would continue to run if something happened to them. "We know that many small businesses close due to the injury of a key person."

On top of life cover, progressive care, living assurance and TPD, Sovereign offers business continuity, business overheads, locum cover

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and start-up income protection.

"Business owners tend to be risk-takers who want freedom and control over their earning potential. However, they are also the lifeblood of their organisation and future success is reliant on them being there to drive the company vision forward. Taking care of both personal and business risk is essential no matter what kind of business you own," Russell said.

There was space for more advisers operating in the business insurance market, all of the providers ASSET spoke to said.

Bailey said: "There's a huge underinsurance problem across New Zealand and with business it's even more so."

Greg Wertheim, business market development manager at OnePath, agreed. "New Zealand is a market of small businesses and it's such an underinsured market. There's a lack of understanding and education, of really knowing what's out there."

He said people would think about insuring their ute and their tools but not themselves. "If they're out of work they won't be able to pay the bill to pay off the ute."

He said advisers who were offering business insurance had a good success rate. "But not that many are pushing that type of product a lot of advisers are comfortable dealing in the mum and dad space. However with business insurance you have to understand financial underwriting, they might not want to go there. You have to sit and talk to business owners about their financials, tax and business plans. It's not that it's hard but some advisers might find it daunting."

Bailey said advisers should seek further training. "It's not an area you can walk into with little knowledge of how it works. You'll set yourself up to fail because business owners will realise you're not familiar with that area and your credibility goes out the window."

The key to success was getting businesses to understand how the product would benefit them, Wertheim said. "You can point to all the bells and whistles in the world but the owner needs to understand how your product

is going to help their business. They need to be left with the idea 'if I'm incapacitated tomorrow, OnePath is going to put \$X a month into my business to keep it going, or give me a lump sum to pay off my debts."

He said advisers could run through what revenue was needed to keep a business going, meet their financial obligations, and pay the wages. "But when you leave the business, the owner needs to be able to remember 'if I get incapacitated, the product will pay \$X to the business."

Wertheim said more advisers should take the opportunity presented by business insurance.

He said many advisers would be surprised at the potential for selling business insurance to their existing clients. "New Zealand is a SME market. Some of their mum and dad client base may own their own business. Once you've covered off the personal side, you could look at 'does the client run their own business?' Therein lies the opportunity. It's a great chance for those who want to get into the market."

Peter Mensah, Fidelity Life's head of distribution, said a lot of advisers seemed to want to get into business insurance. "Many advisers would love to operate in the business market because the premiums tend to be bigger. But they generally have to do a lot of work to move into business, they have to be aware of how trusts are used, ownership issues and structure. It opens a can of worms and that's where the risk is, in business."

He said it was not as simple as getting a template document and entering someone's debts to work out what cover was needed. "Your knowledge has to be far greater than someone operating in the mum and dad space."

Mensah said the number of self-employed people in New Zealand should mean a degree of crossover between personal and business insurances.

Bailey agreed advisers needed to juggle all the normal considerations that came with insurance advice and then consider how business and personal insurances would work together.

If a business insurance policy has a two-year claim period and the person goes back to work after 18 months, then has to claim again for the same condition, they could find themselves facing a gap between the end of their business insurance and the start of the personal income protection. Bailey said Asteron had recognised that was an issue and its Business Insurance offered a benefit period that reset once a person returned to work. If someone was forced to sell the business because of disability or illness, Asteron would allow them to move their personal income protection back to the wait period of the business protection policy.

He recommended a business insurance course, such as that run by Strategi, to those considering expanding into the area. **A**

## GERARD GILL



**G**erard Gill runs Biz Insure,

a specialist business insurance firm operating in Upper Queen St, Auckland. He says the market for business insurance is becoming a lot more positive than it was a few years ago. "They've got the money. Business is going well, they might have more disposable income."

He said business insurance was a good fit for him. "I come from a corporate background. Talking to other businesses is something I feel comfortable doing."

But he said it wasn't for every risk adviser. "People see the big dollars of a business case and think 'I want to be doing that' but you've got to be adding value to the business and realise that it's a long-term process. You don't just turn up with your laptop and expect to write a prop the next day. It's a minimum six weeks from the first contact. You're often dealing with multiple people, not just the owner but their accountant and lawyers and they'll all have opinions. Normally there's two or three shareholders and you build up a rapport with one but the other is anti."

He said business insurance products had improved a lot over the last couple of years. "Now with Partners Life, OnePath, Sovereign... there's a lot more flexibility in how we go about it."

In an ideal world, clients would take both personal and business insurance from their adviser, he said, because what would happen to their business would affect their personal needs. "If a person is a third owner in a \$3 million business, and their estate will get \$1 million, does that person need to carry \$1 million in personal insurance? They might, they might have debts, or it could be sufficient for their needs."

But he said advisers had to be careful not to overload their clients. "You start talking about all the things at the same time and it clouds the issue. I try to lock in key person cover, then work on the others. Some volunteer but when you're trying to sell a message, if there are too many messages, it can get confused." **A**