

Frequently asked questions – restricted liability cover

Will my policy meet ATEC membership requirements or my supplier agreements if cover is restricted?

ATEC requires “active” liability covers to be in place to meet membership criteria. Restricted cover is an endorsement on an active policy that states the insurer understands no business activities are currently being conducted, so premium relief is warranted. The policy remains active and in effect. No policy continuation gaps are created and ATEC membership criteria is satisfied.

You must ensure the restricted cover endorsement is lifted before any business activities resume.

That will likely satisfy contracted insurance agreements as well, but please discuss with your solicitor whether any contract review is required.

How much immediate refund can I get if my insurer offers restricted cover?

An insurer must charge a minimum premium for cover to be effected. The premium refund for converting to restricted cover is calculated as:

$$\text{Total premium} - \text{time on risk} - \text{minimum premium} = \text{immediate refund}$$

Minimum premium differs from insurer to insurer, but JMD Ross clients have received refunds ranging from a few hundred dollars to a few thousand and insurance has remained active.

What effect does a restricted cover endorsement have on my policy?

You are advising the insurer that no current business activities are taking place because of restrictions on industry trading stemming from the coronavirus pandemic.

Any liability you incur for business activities conducted while the endorsement is in effect will not be covered.

Any incidents that occurred before the endorsement started will still be addressed as per standard policy terms.

Restricted cover endorsements vary from insurer to insurer, so ensure you discuss it with your insurance broker first before placing your insurances into hibernation.

How much do I pay when I reinstate my policy to full cover?

With your minimum premium already paid, when reinstating to full cover, the premium calculation will be:

$$\text{Reinstatement premium} = \text{total premium} - \text{time left on risk} - \text{minimum premium}$$

Typically there are no additional charges, but that could vary from insurer to insurer so please discuss this with your insurance broker.

It is always a good idea to understand what your total annual premium is, before entering a new policy with a restricted cover endorsement in place.

My insurer does not provide a restricted cover option. What can I do?

Your insurance is bound by the terms you entered into, so often there is no legal obligation on the insurer to make exemptions due to the coronavirus crisis.

However, support during a crisis is an important quality in an insurer. Switching providers mid-term will mean paying a minimum premium to set up a new policy, but likely save money in the future. Plus you have the knowledge you are with an insurer that responds well in a crisis, which is immeasurably valuable.

Many insurers do not charge cancellation fees, even for mid-term cancellations, however any insurer may choose to impose a cancellation fee which would be deducted from the policy refund you would receive if you decided to switch mid-term.

I am planning a new business for post Covid-19, but need insurance in place now for membership and contract agreements. What should I do?

You have likely calculated potential annual turnover in your new business planning, but this is a time to be conservative in your estimates with your insurer. It is currently extremely difficult for the tourism industry to ascertain business potential or growth and no insurer will penalise you for providing an honest, conservative approach to estimating your turnover.

On your insurance renewal, you will be asked to provide turnover estimates again and your premiums will be more accurately calculated because you'll have real business figures in place, and the industry forecast should be clearer.

I need more advice. Who should I talk to?

JMD Ross Insurance Brokers specialises in the tourism industry and is a supporting partner of the Australian Export Tourism Council (ATEC) and the Institute of Australian Tour Guides (IATG).

We partner with various insurance providers and are always ready to assist you with a new or existing tourism industry insurance package, including recommend covers:

Public liability insurance	Professional indemnity insurance	Motor fleet insurance
Business travel insurance	Office insurance	Management liability insurance

Please contact our office at any time or our tourism industry specialists:

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