



## **IMPORTANT NOTICE**

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## ••• This resource

This brochure aims to provide you with general information to assist in understanding your insurance obligations, including public liability and professional indemnity insurance. It provides useful tips from insurance professionals on buying insurance.

## ••• What is required by the AQTF?

Insurance is necessary to protect your clients, the public and your business.

Under the Australian Quality Training Framework (AQTF) all Registered Training Organisations (RTOs) must have insurance. Standard 2.3 of the *AQTF Standards for Registered Training Organisations* requires RTOs to have all the insurance cover necessary to carry out their business, including insurance for:

- workers compensation
- public liability
- professional indemnity and
- building and contents.

At audit for compliance with the *Standards for Registered Training Organisations* you may be required to provide evidence of current insurance cover for the insurances listed above, as well as any other insurance required by legislation and/or licensing bodies.

Some state and territory governments stipulate the amount of insurance cover required in their jurisdiction. For further information about the insurance required, contact the RTO registering body in your state or territory.

## ••• Insurance explained

### PUBLIC LIABILITY

Public liability insurance may pay for your legal defence costs, legal costs of third parties and court awards against you, if your business has been found to cause personal injury to someone or damage to their property (the person bringing legal action against you is considered the third party).

#### TIPS

- **If you lease or rent premises, don't assume the public liability insurance held by the building owner will cover you in all instances. Check with the building owner.**
- **If you own the premises, check your insurance provides full public liability protection.**

### PROFESSIONAL INDEMNITY

Professional indemnity insurance is a form of liability insurance. It protects you against claims for breach of professional duty arising out of any negligent act, error or omission committed, or alleged to have been committed, by you in the conduct of their professional activities.

#### TIP

- **This type of insurance may cover you in a situation where a student has not received appropriate training due to perceived negligence.**

## WORKER'S COMPENSATION

Worker's compensation insurance provides for workplace related injuries. If one of your employees is injured in the course of their work, the worker's compensation insurer may pay some of their wages for related time off work, and may assist with rehabilitation and return to work, where needed.

### TIP

- **You will need worker's compensation insurance as it is mandatory under all state and territory industrial relations legislation.**

## BUILDING AND CONTENTS

A significant investment is often made in equipment used to provide training and run a training business. Building insurance protects the premises where you operate. Contents insurance protects your business assets against losses that could result from theft or damage.

### TIPS

- **If you rent or lease your premises, check your lease to find out about your obligations and to ensure the owner has adequate building insurance.**
- **You will still be responsible for insuring the contents.**
- **Make sure your insurance covers equipment for commercial use.**
- **If you are a community organisation, your state or territory government may have a special insurance plan you can access.**

## Your guide to buying better insurance\*

- **Prior to seeking a quote for new insurance, check any current insurance policies.** Assess whether the insurance is actually what you need.
- **Check your scope of registration before starting the search for new insurance.** Make sure it only includes qualifications or courses you actually deliver or intend to deliver; the number of qualifications and courses on your scope can have an impact on professional indemnity premiums.
- **Demonstrate how your organisation has developed a risk management plan.** Show how you have completed a review of your organisation to identify and deal with possible risks. Explain to the insurer the AQTF is a quality management system that requires you to identify and manage risks.
- **If you already have a quote for an existing policy let the other insurer know.** This can provide the insurer with an opportunity to meet or beat the other quote. Use the other quote to negotiate more favourable terms.
- **Plan for the insurer to review your requirements.** Don't wait until the last possible moment to get a quote. Allocate time in your diary to review your insurance at least six weeks prior to renewal. If you request quotes well in advance of the desired coverage date, the insurer has a chance to review the submission and ask questions – and so do you. The lead-time also gives your organisation a chance to understand the features of the insurance product, to obtain other quotes and compare competing terms.

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- **Be thorough and complete all the questions on the forms.** This can be time consuming if you are seeking four or five quotes, but remember that every question on an application form is important to the insurance company. An incomplete application will either be declined outright or sent back for completion, taking up valuable time. It is also a good idea to make a copy of the completed application form for your own records.
- **Attach supporting information if required, or if you think it will add support to your application or demonstrate a minimisation of risk.** If you do attach documents to the application form, list them in a covering letter and ensure that each item is in the package prior to mailing. For example, you may wish to include a copy of an annual report or risk management policy and action plan.
- **Provide accurate and truthful information, preferably in writing.** Your responses to the requested information are important for accurate quoting. Be honest – whatever you do don't provide false or misleading information. Not only could this be discovered prior to a quote being provided, which could lead to the insurer declining to quote, but more importantly if you make a claim, it will probably be discovered by the insurer. The insurance company could deny a claim if you have provided false information and your organisation could be deprived of the protection it thought it had purchased.
- **Negotiate quotation terms with respect.** Remember that you are seeking a quotation from an insurer who is not obliged to provide coverage. The insurer may provide a quote that is clearly unacceptable to you, but this may be due to an error; unreasonable underwriting guidelines or a total misunderstanding about the risks involved in your operations. If you are concerned about a quote, question its basis and try to negotiate the terms in a way that will not alienate the insurer.
- **While you may not accept the quote, give the insurer every reason to want to provide insurance.** If an insurance quotation is unacceptable to you, don't accept it as the final say – offer suggestions to improve the terms. For example, if the insurer refuses to cover an activity, offer to adopt an insurer-approved risk management plan as a condition of coverage, or accept a higher excess. Show that you can be flexible and that you are willing to work with the insurer to find a win/win solution.
- **If the cost is high and will create a cash-flow problem, explore other options.** For example, you could pay the insurance monthly, possibly using a credit card if your organisation has one. That way you get to spread the cost over a full year rather than paying in one lump sum up-front. In addition, by paying with a credit card, you may get some interest free days – another plus and another small way to help you with insurance issues.

## ••• Finding the right insurance

You can obtain insurance through an insurance broker or by contacting an insurance company directly.

### INSURANCE BROKERS

The National Insurance Brokers Association (NIBA) is the peak body for Australia's insurance brokers. More information on insurance brokers including details of NIBA's 500 members is available from NIBA at [www.niba.com.au](http://www.niba.com.au).

### INSURANCE COMPANIES

If you decide to contact an insurance company directly, the Insurance Council of Australia (ICA) website has a listing of member companies and useful consumer assistance information.

Contact the ICA on 1300 728 228 or visit [www.ica.com.au](http://www.ica.com.au).

**TIPS\*\***

- **Shop around.**
- **Don't buy insurance on price alone. A cheaper premium may cost more in the long term if the policy does not provide adequate cover when you need to make a claim.**
- **Investigate a package of insurance policies. Packages that provide cover for all your business needs are generally less expensive than separate policies.**
- **Correctly estimate the assets insured. This avoids the risk of over or under-insurance.**
- **Find the best premium payment method for your business. Paying by the month may mean a better cash flow for the business than an annual premium.**
- **Many insurance policies have a cooling off period. Ask about this when you make initial enquiries.**
- **Risk management. By identifying and managing potential risks, your business may be rewarded with lower insurance premiums - see over for more information on risk management.**

**CAUTION**

**Australian legislation currently allows insurance brokers and registered foreign insurance agents to offer insurance products from foreign insurers. The prudential regulations governing these insurances may not be as stringent as those required under Australian legislation.**

**Insurance brokers and registered foreign insurers are required by law to provide the consumer with appropriate notification and disclosure regarding placement of business with a foreign insurer.**

**If you have any concerns about the status of your insurance cover, contact the Australian Prudential Regulation Authority on 1300 13 1060, or visit [www.apra.gov.au](http://www.apra.gov.au) for further information.**

**Risk management & insurance\*\*\***

An effective risk management plan may result in lower insurance premiums.

Most applications for public liability and professional indemnity insurance ask if the organisation has a current risk management plan.

**WHAT IS RISK MANAGEMENT?**

Risk management is a process of thinking systematically about all possible risks, problems or disasters before they happen and setting up procedures to avoid the risk, minimise its impact or manage its impact.

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## A TYPICAL PLAN

A typical risk management plan answers three basic questions.

1. What can go wrong?
2. What will I do to prevent it?
3. What will I do if it happens?

Two further questions are usually considered when assessing risk.

4. How likely is it to happen?
5. What would be the impact if it happened?

The information gained from answering these questions can be recorded in a risk register which should be regularly reviewed and updated as needed.

## FURTHER INFORMATION ABOUT RISK MANAGEMENT

You and your staff should be familiar with risks and risk treatments. Further information about risk management can be obtained from [www.ourcommunity.com.au](http://www.ourcommunity.com.au) and [www.ica.com.au](http://www.ica.com.au)

## RTO insurance checklist

### RTO insurance checklist

#### AQTF MINIMUM INSURANCE REQUIREMENTS

- Worker's compensation
- Public liability
- Professional indemnity
- Building and contents

#### QUESTIONS TO ASK AN INSURER

- May I read the full policy before I sign anything?
- What is the cooling off period?
- How much will I have to pay if I make a claim?
- Can I pay for the policy monthly or quarterly?

#### TIPS FOR GETTING THE BEST DEAL

- Shop around
- Buy a complete insurance package
- Check the detail of the policy
- Structure premium payments to suit your cash flow
- Read the small print in the policy

