

WHAT IS Business Expense Insurance?

MARCH 2026

Business expenses insurance pays a monthly benefit – generally for a maximum of one year – to cover fixed business costs if the business owner suffers an illness or injury and is unable to work.

This means that the business' bills can continue to be paid – and the business can stay afloat - without the owner having to dip into their savings or increase their debt while they are recovering. It can be particularly useful for smaller businesses with high fixed costs that are dependent on the income generated by the owner.

What expenses can this insurance cover?

This insurance covers your fixed business costs, as a monthly reimbursement, so you can focus on your recovery - and not your bills. Insurers typically cover expenses such as:

- Accounting and audit fees
- Regular advertising costs, postage, printing and stationary
- Electricity, gas, heating, water, telephone, internet and cleaning costs
- Security costs
- Rent, property rates and taxes
- Membership fees, publications and subscriptions to professional bodies
- Leasing costs of plant and equipment
- Bank charges, principal and interest payments on business loans
- Business related insurance premiums – public liability, professional indemnity
- Salaries and other related costs for non-income generating employees
- Net costs associated with employing a locum

What expenses cannot be insured?

- There are some costs in the business that cannot be insured and typically these are:
- Remuneration for the business owner
- Remuneration for income producing employees

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- Fines
- Taxes
- Depreciation on real estate
- Losses on investments
- Repayments of principal of any personal loan or other finance agreement
- Costs of a capital nature including books, fixtures and fittings, furniture, merchandise or stock

Taxation treatment

Business expenses premiums are usually tax deductible.

However, the monthly payments from the insurer to your business are taxable.

You can tailor the insurance waiting period to suit your business

This insurance generally has a flexible **waiting period** – that is the length of time before the insurer will start paying you benefits.

For example, you can generally choose a waiting period between 14 and 90 days. The longer waiting period, the lower the premium.

The benefit period – that is, the length of time the insurer will pay you benefits. This is typically a period of 12 months. Payments are made in arrears. Business expense insurance premiums are waived whilst on claim.

A business expenses policy can be taken out as part of your income protection policy or can be a separate cover.

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