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IS THERE A FRAUDSTER IN YOUR MIDST?

Despite the issue being given little attention, no company is immune from the threat of corporate fraud.

The Australian Institute of Criminology estimates fraud and financial crime costs $5.88 billion a year and represents 31% of total crime costs. No other form of crime contributes a larger proportion of the total cost of crime.

If indirect costs of investigation and prosecution are added the total cost could reach as high as $10 billion a year.

The latest KPMG Fraud Survey, released in 2006, found the incidence of fraud suffered by Australian companies doubled from 27,657 in 2004 to 65,000 in 2006.

Yet according to the Australian Federal Police, it is one of the most under-reported offences with less than half of the incidents referred to police or other authorities.

A recent poll of Australian executives and senior managers found 39% of organisations are aware they have experienced fraud, corruption or serious theft in the past year. In the same period half have increased their focus on fraud and corruption control.

Yet only 36% rate themselves as having a comprehensive approach in place to manage the risk of fraud and corruption.

Corporate fraud can result not only in significant material loss, it can also damage an organisation's reputation – something businesses don't always think about.

The most typical fraudster is likely to be an employee who has worked for you for years

Unfortunately, corporate fraud has traditionally been an area that business doesn't manage particularly well in Australia.

What many companies fail to realise is that the typical fraudster identified by KPMG is a non-management employee with no known history of dishonesty. He is typically male, aged around 38 years and acting alone, and employed by the organisation for five years or more. That's how easy it is to fly under the company radar!

Typically the fraudster is detected by internal control a year after the fraud began, meaning the company is only able to recover about a third of the proceeds of the fraud.

You can conduct a "gap" analysis to compare what fraud controls you have in place to meet the best practice standard – now known as Australian Standard AS8001-2008 "Fraud and Corruption Control".

The standard gives a suggested approach to controlling the risk of fraud and corruption within all industry sectors and in government.

Regular stocktakes, awareness training and fraud risk assessments are advised, as is a plan of where you can improve. Also, you can encourage effective whistleblowers.

Of course no company should be without insurance to cover yourself in the event that fraud, theft or corruption occurs under your nose. Talk to us about your fraud risks and how we can help you to learn more, and minimise and control the risks.

THE PREMIUM CYCLE: IT'S SLOW

The traditional June premium renewals period proved what many in the insurance industry have been predicting: the insurance cycle is turning. But insurers are well aware that sudden "corrections" in the market don't help anyone, least of all insurance-buyers.

So far the insurers have taken a sensible approach and competitive premiums remain widely available.

You only need review the past 12 months to see one major reason why insurers have run the rule over premium prices. The Central Coast floods in New South Wales, hailstorms in Western Sydney and stormwater damage in Mackay in Queensland are just some of the high-profile incidents that are impacting on the bottom line of major Australian insurers.

The cost of each individual claim is also rising, according to the most recent statistics. Most of us are aware of rising prices for goods, and the insurance industry isn't immune from them. Nor are insurers immune from the effects of falling investment earnings. Insurance companies are major investors, and like millions of people with superannuation investments, their income has fallen as the global economy slows.

Taking all that into account, the rises in premiums we've seen so far have, for the most part, been modest. As is normal when an insurance market "hardens", the insurers are proving to be more wary of higher-risk business and are also tightening up their conditions in some areas.

But the correction taking place right now defies suggestions over the past six months or so that the market was in for a sharp rise in premiums.

Insurers have much greater technological sophistication at hand these days. They can measure risks quite accurately – which is also why we need to know so much about your own company's risks – and the rises are no longer "across the board". They can keep premiums down in lower-risk sectors and raise them in sectors where the incidence of claims is high.

Industry analysts say the market is also splitting between personal and commercial lines.

Rising home and contents premiums and personal car insurance reflect the damage done in areas such as Mackay and Blacktown. Insurers are therefore acting rationally by increasing rates among personal lines to minimise some of those losses.

But the good news for commercial insurance-buyers is that insurers' drive for market share is still winning out over tougher underwriting. The strong competition for good business is keeping expected rises at reasonable levels, and good business may be rewarded with flat pricing or even a discount.

We hope that's going to be the continuing trend, although the insurance industry is part of a global industry and exposed to what goes on in the global economy as well.

In summary, the soft market is definitely on the way out, but the hardening in many commercial rates is so gentle it may be difficult to detect.

The latest survey by the National Insurance Brokers Association (NIBA) shows where some of these changes are taking place.

In personal lines, 70% of respondents to the NIBA polls noted premium increases of up to 30% in policies such as home and contents.

Compare that to commercial public liability lines. Some 40% of respondents noted rate increases of between 1-30%, but 24% still recorded decreases.

Business interruption policies were on the up among 33% of respondents, but 51% said there's been no change. Professional indemnity business is still highly competitive. Some 19% of respondents say premiums are on the up, but an even higher figure – 40% – say there are still discounts to be had.

Overall some 43% of respondents said where premiums were increasing the rise in rates was at an acceptable level.

Australia has a mature insurance market, with strong players and an effective regulatory regime. As long as the economy remains generally stable increases are projected to stay slow and steady.

Mackay under water – just one of the big-ticket losses insurers are dealing with this year

THE WORKERS' COMP CONUNDRUM

Workers' compensation insurance certainly keeps company risk managers busy. And for an overwhelming number of companies, workers' compensation premiums are also likely to be their single largest insurance cost.

It's a considerable challenge to effectively manage your company workers' compensation policy in order to keep costs low and still maintain a safe and happy workplace.

The Federal Government is currently in the process of reviewing workers' compensation legislation, potentially affecting the way the system works in Australia.

As it stands, there are 11 different schemes, including eight laws for the states and territories.

This can make for a confusing mix for a business owner or manager, particularly if your company is one of the 39,000 Australian businesses operating across state boundaries.

One large company that operates nationwide faced some 24 pieces of legislation regulating health and safety and workers' compensation, multiple codes of practice, self-insurance and premium coverage.

On top of this it had to adhere to more than 15 audits a year, plus pay the costs of administration, numerous dispute resolution regimes and a mixture of entitlements to workers' compensation.

To overcome these obstacles some large corporations have turned to self-insurance through the Federal Government's scheme Comcare – until the Government imposed a moratorium on entry to Comcare last December while the review is carried out.

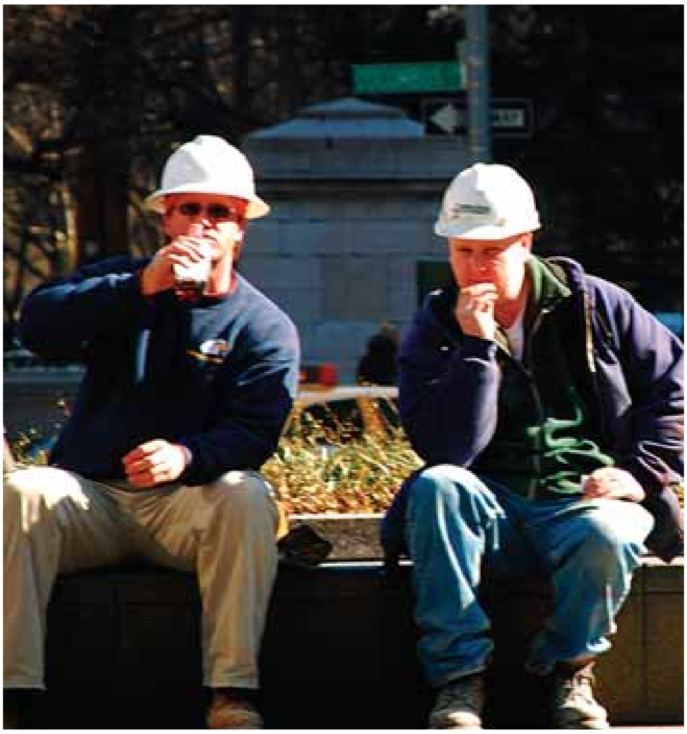
The Australian Chamber of Commerce and Industry (ACCI), which represents 350,000 businesses – including 280,000 small businesses and 55,000 medium-sized enterprises – supports a prompt conclusion of the Federal Government's review.

ACCI believes by stopping companies from entering Comcare the Government is also placing a moratorium on the economic efficiency and productivity of those businesses.

However, it is adamant that the interests of small businesses or employers working in a single state are not materially disadvantaged by the movement of national self-insurers into Comcare, given the restricted nature of eligibility to the scheme.

Part of the problem with the Comcare scheme in the eyes of small and medium enterprises is that the scheme is only cost-effective for large companies.

For small businesses self-insurance can be more of a burden than complying with normal compensation arrangements, considering it may be years between work-related injuries.



Workmates, but they could be under two completely different workers' compensation systems

For medium-sized businesses the decision on whether to self-insure or not can be a difficult one. But for those with a good track record in occupational health and safety and workers' compensation, self-insurance may be a decision worth making.

Unions typically oppose the concept of self-insurance because they believe everyone should join and contribute to the same scheme.

They argue that workers' compensation insurance originally acted as social legislation to compensate workers and their families for their loss of earning capacity as a result of illness or injury.

Workers' compensation in any form is incredibly complex, making it difficult for businesses to choose the system that is right for them.

We're here to work with you to help you understand how you can better manage your workers' compensation policy – enabling you to lower costs while still improving safety and injury management.

Reduced costs mean an improved bottom line for your business as well as a happier workplace.

THE BUSINESS BUNDLE

Many commercial clients are discovering the wide range of insurance protection available in a convenient one-stop business insurance pack.

Commercial business packs can often be tailored to combine all the relevant insurance policies a client needs, whether the business is a retail, commercial, or industrial operation.

A business pack offers your business an affordable way to purchase protection against most forms of liability and crucially is able to cover gaps in a normal insurance program.

By integrating these policies clients can eliminate the risk of claims falling between the gaps in cover, arising from the mix and match of different policies.

You can also save money by avoiding separate fees on each insurance policy.

Of course, if there are markedly better policies from other insurers covering specific risks, be assured that's what we'll be recommending to you.

Regardless of whether your business is a fledgling operation or a thriving mid-sized enterprise a business pack can often prove suitably flexible.

Only large organisations operating multi-million dollar assets need to look beyond business packs to specialist policies such as industrial special risks.

Consider the potential scope of the business pack. Cover can range from theft, money coverage, business interruption, machinery breakdown, property damage, electronic equipment breakdown, goods in transit, glass breakage, fire and storm cover, general property as well as broadform liability.

Breaking down the policies further, consider broadform liability alone. It covers the activities or products of the business that cause damage or injury to others, while statutory liability covers companies against inadvertently breaching laws and regulations.

Employers' liability covers personal injury claims against the business while employment practices liability covers employment-related claims against the company by employees.

Fidelity cover provides protection against employee theft of money or goods belonging to the business.

Directors' and officers' cover will protect the business from competitors alleging misleading and deceptive conduct, shareholders alleging mismanagement of the company, creditors alleging that the company traded while insolvent, and regulator allegations of breaches of legislative requirement.

Statutory liability cover meanwhile protects the business from fines, penalties and reparations imposed by the court for unintentional breaches. In addition, the amount of any adverse judgement or settlement can cover legal costs and expenses of investigating and defending those claims.

On top of all these features and benefits we can also arrange to fund your business pack using pay-by-the-month facilities to assist your cashflow.

Give us a call to discuss how a business pack might be able to cover your insurance needs in one package and provide you with quick, convenient and cost-effective peace of mind.

A PROFESSIONAL MEMBER: Our company is a member of the National Insurance Brokers Association of Australia, the organisation that represents professional insurance brokers in Australia. Membership is based on our professional standing in the insurance industry including our experience and expertise and our ability to meet the stringent requirements of NIBA.

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