

AIS Liaison

The AIS Insurance Brokers Newsletter

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Are you accidentally becoming underinsured?

Cash-strapped SMEs looking to cut expenses all too often turn their attention to insurance costs.

We call it “the umbrella syndrome” – on a sunny day it’s hard to believe you’re ever going to need an umbrella. But when it rains...

As many as 80% of Australian businesses are underinsured – with sole traders worst affected.

Trimming back cover seems an easy option – and the chances of actually having to make a claim are slim, right?

In truth however, you’re probably gambling with the survival of your business for the sake of a few dollars.

Think about this: If your business contents and stock would cost \$500,000 to replace, and you only insure them for \$300,000, you may feel that it’s a risk worth taking because you’re not likely to lose everything.

But in fact you could still take a big hit even with a partial loss, because your insurer may decide that you’ve opted to take on some of the risk yourself – in this case 40% – and apply what’s called an “average”.



When things go wrong, the main thing you need to be right about is the amount you insure for

Under this rule, if you suffered a loss of \$100,000, the insurer has the option to only pay out \$60,000.

Businesses should work hard to calculate the correct cost of replacement, new for old.

This needs to include things like removal of debris, legal costs, and professional fees, as well as the value of assets.

When rebuilding there may be extra costs that arise from complying with government legislation or standards, and in the wake of a natural catastrophe construction costs can soar due to increased demand.

Small businesses can grow rapidly, buying new equipment or expanding premises, and you can easily fall into underinsurance without realising.

You should review sums insured at

least every 12 months, and make sure the policy grows with the business.

Get a thorough assessment of the risks your business is facing. Go beyond the most basic cover, and make sure you get business interruption insurance, too.

In Australia, a land of floods, fires and cyclones, the unexpected can and does happen.

There are plenty of other risks besides natural catastrophes to worry about – such as the growing threat from cyber criminals.

Calculating the correct amount of cover can be a complex process, and trying to do it on your own is a recipe for disaster.

Let us help you get it right. Because if you get it wrong, you could be paying a very high price indeed.

Get ahead on cyber security



From what newspaper reports have to say, the owners of small businesses could be forgiven for thinking that cyber attacks are something for large corporates and governments to worry about.

Unfortunately the opposite is true.

SMEs are the forgotten victims of cybercrime. Hacks don't make headline news like Sony and Target, but they're happening every day.

Small businesses are much more vulnerable than large corporations, because they tend not to have invested in the same level of risk mitigation.

Last year 60% of all cyber attacks globally targeted the SME sector, according to technology giant Symantec. And the cost to smaller businesses can be huge.

Aside from notifying customers, you may also face costs for rebuilding your company's personal profile and re-establishing trust with customers.

Then there's the cost of investigations, compensation, and engaging experts to repair your database – if it has survived the attack.

When a small business is hacked, owners often jump to the conclusion that they were "just unlucky".

But that's not how it happens. Cyber criminals deploy automated tools to scour the internet looking for weaknesses and vulnerabilities. "Bad luck" has very little to do with it.

Small business owners may not be able to afford teams of IT professionals and the latest security tools, but there are things you can do.

Fortify your operating system and ensure all anti-virus, anti-spyware and firewall software is installed, up-to-date and working.

Make regular backups of your data and store it offsite. And by regular we mean as often as necessary – which in some cases means daily.

It's all too easy to slip into bad habits, but don't be lazy with passwords, and be vigilant with access management.

Remove administration rights from computers that don't need it and check with your IT provider if they have remote access to your systems and what security controls they have in place.

Crucially, take the time to review your insurance coverage.

Too many businesses are tempted to rely on the traditional suite of business policies that have served them well in the past.

Public and product liability, professional indemnity, commercial crime, directors' and officers' liability, property damage and business interruption insurance cover many losses – but not all.

When it comes to cyber, there are gaps and exclusions that threaten to leave you exposed at every turn.

Specific cyber cover is now available, and you should consider it.

Typical policies cover third-party compensation, associated defence costs, and even fines and penalties imposed by government authorities.

Cyber insurance will generally cover the cost of public relations and crisis management to deal with reputational damage, and the cost of restoring data and repairing or replacing IT assets.

Loss of business income is normally covered, as are cyber extortion expenses.

Remember that for cyber criminals, size doesn't matter – and they love an easy target. So take steps to make your business a tough nut to crack.

And talk to us today about assessing your risk and arranging cover that will help make any successful cyber attack a nuisance rather than the thing that destroyed your company.

How to disaster-proof your business



You might not be able to avoid the disaster, but you can reduce the impact on your business

Floods, fires, earthquakes and cyclones can cause huge devastation and disruption, and many businesses are simply overwhelmed and never recover.

The United Nations Office for Disaster Risk Reduction estimates that natural hazards affect an average of 232 million people worldwide every year.

According to the US-based Insurance Information Institute, 40% of firms don't reopen after a disaster and a further 25% fail within a year. Anecdotal evidence suggests Australian figures would be about the same.

But by taking a series of simple steps to prepare, owners can drastically increase their chances of surviving the toughest of times.

Firstly, assess your risk and critical functions, then draw up a detailed business continuity plan.

But don't just create a document and leave it to gather dust in a drawer. The plan needs to be shared with employees and responsibilities assigned. Offer training to your staff and conduct regular drills to improve response.

Ever heard the saying, don't put all your eggs in one basket? It's never more true than when preparing to survive disaster.

Key information should be securely stored and maintained offsite, because to get back up and running you'll need fast access.

And that doesn't just mean backing up computer data.

Keep a secure offsite list of insurance policies, banking information and contact details of employees, key customers, vendors, suppliers and insurance professionals.

Make sure the back-up storage site is far enough away not to be affected by the same disaster that would strike the business.

It's also wise to create a business inventory that includes all business equipment, supplies and merchandise.

Finally, and possibly most importantly, make sure appropriate insurance is in place.

The time to review your cover is before disaster strikes, not afterwards when you are frantically filing a claim.

We'll take the strain out of any claims process, and we can also advise you on the right type of insurance for your business.

Make sure your policy gives replacement cost coverage – so that property can be rebuilt or repaired at current construction costs.

The threat posed to businesses is only likely to grow, with climate change resulting in rising frequency and severity of severe weather events.

Hoping that it won't happen to you is not a viable option.

Assess your risk, develop a strategy, test it regularly and make sure you are properly covered should the worst happen.

And don't try to do it all on your own – reach out to us for expert advice that could make all the difference.

We can help you through the process, and do everything possible to make sure that after disaster strikes, your business is one of the survivors.

Charting a path through the workers' comp minefield



States of uncertainty: make sure your workers' comp cover is set up correctly

One of the most important things any Australian business must have is workers' compensation insurance. Wherever you are, whatever you do, if you employ someone you must insure them against being injured at work.

It sounds simple enough, and it should be. But no matter what your business does, remember you have a responsibility to ensure your employees are working in the safest and most secure environment possible.

Workers' compensation has evolved over the years to focus more on mitigation, which concentrates on preventing the accident happening in the first place. Training, safety programs and greater risk awareness should be everyone's priority.

And it has to keep evolving, because Australia's workforce

and business preferences are changing all the time. For example, it's not so long ago that small-to-medium sized businesses would operate from one location.

But in the age of the internet, it's not all that uncommon to employ someone to work "remotely" in another city or state.

Which raises questions about how you ensure that person is properly covered for workers' compensation. Is an employee in another state covered under workers' compensation insurance in your state? And are the rules the same?

And if your employees cross into another state to work on a project, will your workers' compensation arrangements protect them?

Each state and territory has its own workers' compensation laws and regulations. In fact, there are at least eight

workers' compensation authorities in Australia, including the Federal Government insurer, Comcare.

That's why Safe Work Australia was established in 2006 to help "harmonise" the often-contradictory and always-confusing rules for each state and territory. It's an exercise that has quite a way to go.

Let's look at the example of a charter bus company that operates in, say, Sydney. Its drivers take tourists around the country, so are they covered under the NSW workers' compensation regime if they spend most of their working time interstate?

And what about drivers who work for a Sydney-based trucking contractor, but actually are working on a mining contract in WA?

There are many permutations, but there is a formula to follow that's quite reliable in sorting out what was once a very messy set of questions. We can help you go through the various steps to ensure your employees are properly covered.

As your broker we can also advise and assist you to ensure that your workers'

compensation arrangements are the best possible.

Remember also that your workers' compensation premiums are set not only by the risks your industry faces – so a sawmill operator will pay considerably more premium than a document typing service, for example – but also by your claims history.

So there's a financial incentive to understanding your company's unique risks and taking steps to reduce them.

Risk mitigation strategies can save you a lot of money, and provide your employees with greater safety and security. Again, you can rely on us to assist and advise you on the best ways forward.

And if you are unfortunate enough to incur a workplace injury – an experience that can be incredibly distressing for an employer and for co-workers – we're always available to help you and your injured employee through the claim process.

Safety is your greatest responsibility, and we're here not only to advise on insurance, but also to support you in making your business as safe as it can possibly be.

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