

AIS

Liaison

The AIS Insurance Brokers Newsletter

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Is your company a high-risk business?



Get covered: high-risk businesses often need help arranging insurance

Every business should be adequately insured. A well-planned, thorough insurance program is critical regardless of the nature or size of the operations.

But what happens when getting protection for your business is, well, just proving to be a little more difficult than you had thought?

That can happen for a variety of reasons. It could be simply that your business is in an industry that involves abnormally high levels of risk. Forestry, for example, or a meatworks. Perhaps a huge claim was recently made. Or a policy renewal was rejected.

Understandably, insurance underwriters have no choice but to closely scrutinise the risks brokers are bringing them. Depending on their appetite for risk, they will measure a company's previous safety performance and its risk management systems before taking on

new exposures.

So what is a high-risk business? Typically, it often has high liability, is located in high-risk address or in an "unstable" industry where physical injury, damage or loss is higher than normal. A bad claims record and lawsuits are often associated with such businesses.

As one SME owner discovered recently, it did not matter that his business had a clean record as far as claims go. Because his business is in an industry that has been blighted by high claims payouts and lawsuits, the underwriters asked for stringent internal risk processes before agreeing to provide cover.

Here is the good news. Being high risk doesn't equate to being uninsurable. Don't jeopardise your livelihood by taking no for an answer.

It's situations like this that demonstrate why you need us by your side to work out your business's unique requirements. We can advise on your risks, draw up a proposal that covers those risks you can't wholly eliminate and then negotiate on your behalf with the underwriters.

So don't jeopardise your business by taking no for an answer. High risk doesn't mean the business is impossible to insure.

We have the experts, experience and network to help your business secure the high-risk protection it needs. We know that every business is unique and that you, the owner, deserve all the help you can get.

Call us today if your business is finding it hard to get insurance or renew an existing cover. We will help you work out a tailor-made solution that best protects your business.

Intellectual property – the overlooked risk

Challenges to brand names and the intellectual property behind a business can come completely out of the blue, as a New Zealand café discovered when it came up against the might of the Coca-Cola Company.

The Wellington cafe, initially called Innocent Foods, was forced to change its name after the global giant said the venture infringed on the trademark of its London-based Innocent Drinks business, which makes smoothies and juice.

The global reach of the internet and social media has increased the risk that intellectual property disputes may emerge from local and international sources, with some cases launched in good faith and others driven by nefarious motives.

In either case, there may be high costs involved in defending a business against challenges or in taking action against parties that may have effectively stolen a good idea or creative work for their own purposes.

Small businesses accustomed to insuring physical assets often overlook risks from

not protecting the intellectual property that helps underpin their success. Surveys have found that it is a key area of underinsurance, with many business owners unaware that such cover exists.

Global risk company Aon says markets first started to recognise intellectual property as an asset class in 2006, when Research in Motion, which made BlackBerry mobile phones, reached a \$US612.5 million (\$850.3 million) settlement in a patent dispute.

Since then businesses and growth opportunities have continued to change dramatically from the top end of town through to smaller firms as intellectual property has risen in importance. In the US, technology firms have become stock market giants, and more than 84% of the S&P 500 market capitalisation is now represented by intangible assets.

The changes have also led to the rise of “patent trolls”, which obtain rights with the purpose of targeting other companies over alleged infringements. Profits are made through licensing or litigation.

More than 10,000 companies have been sued at least once by a patent troll, Aon’s report says, and over the past 10 years patent troll lawsuits have grown 500%.

Federal Government agency IP Australia, which administers intellectual property rights, says taking out an insurance policy is one way a business can make sure it is better placed to defend against claims by others or to take action to enforce its own rights.

Policies cover legal costs and, on the enforcement side, can include cover for damages such as loss of profits, reputation and settlements, and apply to rights in Australia and overseas.

The policies available offer different features, and we would be happy to explain them to help you decide if you need this kind of cover and the best policies to meet your specific business needs.

While intellectual property is a risk area that may not be immediately obvious, the impacts can be far-reaching if you’re affected.

Think carefully: ideas can be crucial to business success



Providing a safe workplace in the #metoo era



Hands off: harassment levels are rising

Sexual harassment allegations against movie producer Harvey Weinstein launched the #metoo movement and sparked a flood of complaints about other high-profile people, particularly in the entertainment world, highlighting issues that may once have been swept under the carpet.

In Australia, attention has also focused on celebrity cases, including claims against television gardening guru Don Burke and actors Geoffrey Rush and Craig McLachlan.

But the Australian Human Rights Commission says sexual harassment is a problem in many workplaces across a range of sectors and is widespread and pervasive.

The commission's fourth national survey found one-in-three respondents said they had experienced sexual harassment at work in the past five years, based on a list of 16 behaviours likely to fall within the definition under the Sex Discrimination Act.

More than a third of those people said it had affected their mental health or caused stress, 33% reported it hurt their self-esteem or confidence and 25% said it negatively impacted their employment, career or work.

Reported harassment levels in last year's survey jumped compared with the previous report in 2012, and the commission says that whatever drove the rise, it is clearly a problem that needs addressing.

The repercussions extend to SMEs, which do not have human resources departments at their disposal, but which still need to have policies and protections in place to prevent harassment.

Consultants recommend businesses provide information and training and take a clear stance on issues such as harassment and workplace bullying, while also taking out suitable insurance to provide protection for enterprises when problems do emerge.

Employment Practices Liability cover evolved to fill the gaps in other policies, such as standard general liability and professional indemnity, and insures a business and key staff for claims including harassment and discrimination.

Areas covered include wrongful termination, discrimination on grounds including sex, race, age or disability, breach of an employment contract, and common law violations such as privacy issues and negligent supervision.

In the unfair dismissal arena, 13,595 applications were lodged last fiscal year with the Fair Work Commission. Many cases were resolved for payouts of less than \$10,000, but the compensation cap is now more than \$70,000. Workplace matters can also end up before a range of other tribunals and courts.

Employment-related risks are among the most damaging exposures facing small businesses, due to the link to public notions of community standards and morality.

Legal costs can cause significant financial loss, while negative publicity can also damage an employer's reputation and brand, particularly given the impact of social media.

Making sure the right insurance cover is in place is an important part of a wider approach required to ensure a safe workplace and to minimise the chance of problems arising. Give us a call and we can demonstrate ways we can help.

So long, sleepless nights



Hard-going: SME owners can struggle to switch off

It might just be a little late to wish you a happy new year, but we're in no doubt at all that a good night's sleep would have featured on your list of new year's resolutions. Because for many small business owners, the festive season is a time of long days and nights.

More than half of SME owners surveyed by a major bank last year said they would be forgoing sleep over the festive season, arguably the most important time of the year where sales are typically at their peak.

When the once-a-year Christmas and New Year revelries are often a make-or-break time for many SMEs, sacrificing sleep over personal wellbeing is what most proprietors, understandably, choose to do.

Think it is rest and relax time when the festivities are over? Not a chance. More than 60% of the SME owners surveyed didn't see themselves taking the time out to relax and recharge. Four out of 10 expected to be chasing late payments, spending as much as eight hours a week doing just that.

And that's just one of the many tasks a small business owner must personally handle, given the limited resources the business has at its disposal.

Such revelations are sobering, no matter which way you look at them. For many SMEs the grind rarely stops.

That should hardly come as a surprise. There is no end to the list of issues that keeps a proprietor awake at night. Cashflow, bad debts and staffing challenges are the biggest causes.

But new worries, which used to only vex C-suite bosses, are starting to weigh on the minds of SME operators – a reflection of the digitalisation of commerce in today's economy.

Cybersecurity and data privacy, cost competitiveness, customer-centricity, big data, climate change and public trust are some of the top concerns this year for corporate leaders, according to a KPMG survey.

Amanda Hicks, the company's Acuity Partner, lists a string of problems that CEOs mention which are eerily similar to the people running much smaller companies. They include digital transformation, innovation, and changing their business models to become more nimble and responsive as vital to their future.

So what are some of the options out there for sleep-deprived SME owners? Having all aspects of your operations adequately covered when unforeseen incidents break out is one of them.

Get in touch with us. Share with us your concerns. We'll advise you on how best to protect your business from some of the concerns you see on the horizon. A problem shared with us is a burden removed. And that way you can say goodnight and get some sleep.

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