

SPRING 2019

# Here's how you can avoid digging too deep to pay your premium

So the renewal notice just came in. What it's going to cost is the first thing many SME owners cast their eyes over. And it's not likely to be happy news. Commercial rates are going up across the board as insurers emerge from a period of intense competition that kept premiums down.

Now they're scrambling to return premiums to the "technical level" – the point where the price more accurately reflects the risk.

Australia and New Zealand pushed up pricing in the Pacific region by 18.3% in the second quarter, according to the latest figures available. Rates for property covers generally saw double-digit increases, and increases of up to 20% aren't unusual in today's environment.

Pondering how best to absorb the rate hike will no doubt be on your mind. Unlike home or car insurance, there is no monthly payment option for commercial insurance policies. A one-off upfront payment is usually the only choice insurers offer.

But there's an easy way to stay properly insured without having to pay one lump sum – consider using a premium funding

facility to spread out the insurance costs over the duration of the policy.

About 30% of commercial policies in Australia are paid for through premium funding facilities. The market is worth at least \$4 billion and some 270,000 commercial funding contracts are written each year.

It essentially works in a way similar to most instalment payment plans such as when you buy a car or big-ticket household items.

In this case, a premium funder will pay your full premium to the insurer. As part of the contract with the premium funder, you agree to repay the premium over a period set usually at 12 months – the same period as the duration of your policy.

In exchange for providing the service, premium funders charge a rate that is usually fixed and is spelt out in the contract. The rate is not

compounded, which makes it easy to work out the repayment plan.

There are many benefits in using a premium funding facility. Many SMEs run on lean budgets and rely on healthy cashflows to pay for sundry expenses. Choosing to use a premium funder means you can ease the burden on cashflow. And as an added bonus, tax deductions could be made for interest paid for business insurance.

So as the deadline for renewal looms, don't lose sleep over it. Give us a call and let us sort it out for you. We will get you the best rate available and set up a funding contract that works best for your business.

**Spread the load: premium funding can make it easier to pay rising insurance premiums**





# Your risks and responsibilities when cyber criminals attack

**Do the right thing: many SMEs don't know how to respond to cyber attacks**

Cyber risk is serious. Cyber criminals can hit a business so hard it will never recover. And SME businesses are a prime target for the thieves and standover merchants who prowl in cyberspace. Yet the owners and managers of way too many SMEs ignore these very real risks.

A recent report by insurance company Chubb has turned up some disturbing evidence on SMEs' lack of awareness. The report found almost half of Australian SMEs (47%) are unaware of their obligations under the Notifiable Data Breaches (NDB) scheme, and most display a worrying overconfidence on cyber that could leave them horribly exposed.

The NDB scheme was introduced in February 2018, and non-compliance can open an SME up to significant financial penalties.

Data breaches must be reported by companies with at least \$3 million in annual turnover. Such businesses must inform affected individuals if a breach is likely to result in serious harm and notify the Office of the Australian Information Commissioner, which oversees the scheme.

Organisations must carry out "objective

assessments" to determine if breaches are likely to result in serious harm.

It's not an easy judgement to make, but this is the law and you must comply. If you're unclear about it, we're here to help you.

Unfortunately, this was not the only concerning statistic within the Chubb report. Almost one in three (32%) senior leaders expect their business to be immune from cyber attack, 49% of SMEs have no data breach response plan in place, 57% spend nothing on cyber training for staff, and only 27% have cyber insurance.

Only 33% of respondents thought a cyber incident would have a significant impact on their reputation, with 60% believing it wouldn't impact on their revenue or sales.

And staggeringly, 79% of SMEs are confident they can overcome a breach by sophisticated hackers within 24 hours.

Sorry, but that's not how it is. The impact of a cyber attack is devastating. If your data is stolen, the repercussions from clients or customers whose personal details you held will be significant. Your reputation can be trashed, and your technology so compromised you have no

choice but to start again.

Even with proper contingency plans in place, it can take weeks or even months to fully recover from a significant attack.

That's why cyber insurance must be a crucial part of your risk management plan. The average cost of a cyber incident in Australia is more than \$250,000, but the right insurance can do more than just cover your costs.

Many insurers offer access to 24/7 incident response teams to help you make the right decisions in the immediate aftermath of an attack, protect your reputation and carry out forensic investigations to identify causes and vulnerabilities.

The cyber threat is growing – the NDB scheme received 967 breach notifications for the 12 months from July 1 last year.

SMEs are also considered particularly vulnerable as cyber crooks see them as "low-hanging fruit" with more security weaknesses than larger firms.

Please, don't take a chance on cyber. Talk to us today to ensure you understand your risks and responsibilities, and have the right cover in place.



# Remote workers: out of sight but front of mind

## Still your problem: remote workers need proper cover in place

Working from home for at least part of the week is now a pretty common feature of business, thanks to new technologies that smooth the process.

Flexible working arrangements can help your business attract a more diverse workforce and gain a competitive edge. The Department of Employment, Skills, Small and Family Business says employees with caring responsibilities and similar circumstances have a right to request flexibility.

But while the arrangements may be flexible, there are laws that are unbending and insurance issues that need to be taken into account.

Compulsory workers' compensation cover applies to employees working at home just as it does to those congregating in offices, and it's important to have the right level of cover in place.

The extent of those responsibilities was tested in an Administrative Appeals Tribunal case involving a Telstra employee who worked two days a week from home.

The employee was injured when she fell down the stairs while having a coughing fit, after leaving her desk to get medicine from the kitchen. The accident happened at 6pm but she had intended to return to her desk and continue work.

In a second incident, she slipped again when she went downstairs to lock the door – in line with her employer's security instructions – after her son left for school.

The tribunal ruled the injuries occurred during the course of her employment and ordered Telstra to pay.

Workers' compensation rules differ from state to state, but

employees should have a safe environment, wherever they are located.

Health and safety requirements in the home still include access to first aid supplies, fire safety and security. In some cases, a home visit may be agreed as part of a risk assessment as insurance cover is considered.

Mental health, bullying and other non-physical risks remain issues when people are working remotely, and it's important to keep in touch and confirm the arrangement is working as it should.

If employees receive clients at home, public liability insurance is another critical area for review, particularly as cover varies across policies.

When it comes to the remote office set-up, an employee may be using their own computer, printer and other technology, or company-provided equipment.

The businesses will have to determine how the equipment will be insured, what exclusions may apply and if there are other special issues to consider.

The Workplace Gender Equality Agency estimates that more than 70% of private sector organisations now have flexible working strategies and policies, and many others have informal arrangements.

So while remote working is a great way to go, remember that as the employer you still have risk issues that go with the arrangement. Success comes from having the correct insurance in place, so it's worth talking to us if you're thinking of letting employees work remotely. We can advise you on the risk factors and help you to get it all together.

# Seven essentials of SME insurance



**Get covered: make sure you're across the many types of insurance you need**

Insurance is an absolute must-have for small business owners, and business pack is the default choice for many of them.

It's convenient to arrange and simple to deal with because, as the name suggests, a business pack is essentially a bundled product designed for SMEs and micro-SME clients.

The typical risks every SME operator faces could be arranged under one roof in a standard business pack. Property, business interruption, liability, employee dishonesty and machinery breakdown are among the items usually included in such policies.

In an ideal world, having a business pack in place would suffice. But in the real world that's not how it works most of the time. Far too many business owners mistakenly assume a business pack provides all the protection their operations require. The question of whether the bundled product is suitable

hardly pops up.

Such tendencies can be dangerous. As the survey findings from the Vero SME Insurance Index this year puts it: "Those who know insurance well understand how intricate it can be – but the research has found that SMEs don't necessarily feel the same way."

Three-quarters of SMEs interviewed for the survey claimed it was easy to assess what insurance their businesses need. This extends to evaluating appropriate levels of coverage.

Just as you rely on a plumber or electrician, or doctor or accountant when things get complex, you'd be wrong if you thought insurance is so simple that all any business needs is a generic insurance product that's good for everyone. Do you really understand the risks your business faces? Do you really know what it would cost to get your business back on its feet? Assessing and dealing with the unique risks your business faces is a complex

task that requires professional advice from a qualified insurance broker.

So instead of flirting with under-insurance or getting the wrong bundle of policies, why not set aside some time to work with us on the essential sorts of cover your business really needs?

For example, here's seven critical areas your business cannot afford to ignore:

## **1. Public and products liability insurance**

This protects you and your business should it be found to have caused physical injury or damage to a third party.

## **2. Property insurance**

Your business premises and assets such as computers, inventory and tools would be covered in the event of a fire, vandalism, theft, smoke damage and other perils.

## **3. Business vehicle insurance**

Practically every business needs to own a vehicle, whether it's for goods delivery or to meet clients. So don't go without the proper insurance for it that covers damage to the vehicle, damage to third party vehicles, emergency repairs and replacement should there be a total loss.

## **4. Professional indemnity insurance**

This is most common for professionals who offer advice in the course of their work. Taking this cover offers financial protection in cases involving breach of

professional duty.

## **5. Directors' and officers' insurance**

Senior managers might have the ability to make game-changing decisions for the business, but what happens if the decisions they make have negative results and trigger a lawsuit? This type of insurance covers legal costs or damages from a legal action.

## **6. Cyber insurance**

No business today can operate without email. And with technology comes criminals, who see SME businesses in particular as easy prey. Cyber cover protects you against losses.

## **7. Tax audit insurance**

The tax office is stepping up its random audits of businesses. If you get the call, this can disrupt your daily operations and add some significant costs to your business. This cover indemnifies your business for professional accounting fees should the taxman come calling.

So as you can see, a one-size-fits-all business pack probably isn't likely to be the total answer to transferring your business risks. It requires a close understanding of the risks and the costs, to ensure full coverage and a meaningful claims payout.

That's why brokers are recognised as an essential assistance to businesses of all sizes. We're here to ensure that when misfortune happens, your business doesn't suffer.

# AIS

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