AIS Liaison
The AIS Insurance Brokers Newsletter
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Protect your business with a disaster recovery plan

Be prepared: planning ahead gives you the best chance of coming back from catastrophe

This summer's horrifying bushfires will never be forgotten, and the scores of stories from business owners caught up in the series of disasters have taught us all some harsh lessons about preparedness.

And no matter what the cause of these unprecedented bushfires, we would be foolish not to take those lessons to heart.

For those businesses damaged or destroyed by the fires, there's a huge amount to do, and no one doubts the road back will be tough. We stand by those clients who have been affected, and will continue to advise them and liaise with their insurers on their behalf.

At a time like this we also can't avoid noting that for businesses that were under-insured or – even worse, not insured at all – recovery will be a hard and lonely process. History shows that after disasters like this, some businesses will call it a day because they have nothing to fall back on.

So let's just take a minute to consider the situation. If a business is damaged or destroyed by a disaster, the best thing the company's owners or managers can have is two things: adequate and responsive insurance, and a post-disaster recovery plan that sets out how the company will continue to function through the next few months.

The aim of such a plan is to have your business return to normal operations as soon as possible. And at the heart of an effective disaster recovery plan is ensuring your business assets are adequately insured.

Numerous surveys carried out over the years have consistently shown just how ill-prepared small business operators are when it comes to dealing with threats that could ruin their livelihoods.

Many are aware it is essential to have a contingency plan should disaster strike. But the reality is that most choose to do nothing, preferring to believe that the odds of getting hit by a flood or fire are slim.

What happens if the gamble fails? The answer is in the newspapers and television every few months as a business falters due to a large-scale disaster or an isolated accident like a local flood, a shop fire, cyber attack, a lengthy power outage, supply chain disruption or other unpredictable man-made threat.

Deloitte, which looked into the social and economic cost of the Townsville floods last year, found small businesses take a disproportionate hit when disasters strike.

The larger the company, the more likely it is to have a thorough and up-to-date recovery plan.

What can you, the business owner, do in the meantime? The best thing you can do is be prepared. Take proactive measures to protect your livelihood by having a disaster recovery plan.

If you're worried about your readiness to recover from a disaster, talk to us. We can advise you on the insurance covers that can help you rebuild your business. Or even if you need to dust off your plan, we can help with that too.

The key is to be prepared. Don't delay and get in touch with us now.

Take care with asset valuation

So you reckon you know what your assets are worth. But do you really?

It's important to remember that even if your business has acquired every type of relevant insurance policy, if you've underestimated the value of your property, contents, equipment or other assets you could be horribly exposed.

Underinsurance can have major consequences in the event of a loss, and could spell the end for your business. For a policy to work as intended – restoring your business to the position it was in before the loss – a considered and accurate valuation process is required.

If valuations are based on assumptions, old information, or misleading advice, then you're heading for trouble.

Most businesses need to get up and running again quickly after a loss. But if there is no solid basis for declared values, this can lead to lengthy investigations lasting months or even years. This in turn can delay crucial claims payouts.

And if the business is found to be underinsured, then your payment won't cover the full loss and you'll have to make up the shortfall.

And it's worth remembering that this isn't just an issue in a total loss scenario. If something happens that isn't a total loss, don't assume that you'll always get paid up to the sum insured. Some policies include an "average" clause, which means that underinsurance can result in reduced claim settlements even for partial losses.

Worst of all, if your insurer concludes that values were deliberately understated then the claim could be declined.

Carrying out a proper valuation process is simpler than you think – and we can help. As well as ensuring there is no gap in the event of a loss, this process can help fast-track the claims process and minimise interruption to operations.

So never undervalue your business, either through carelessness or as a deliberate ploy to lower premiums. On the other side of things, you shouldn't "err on the side of caution" and over-value, either. Because that's just a waste of your money.

What's needed are useful internal processes such as up-to-date asset registers that keep your company's asset valuations on that narrow accurate line.

We live in uncertain times, with major losses a very real possibility, and you've invested too much in your business to put its future at risk. So call us and we'll help make sure your assets are valued correctly.

When it comes to a claim you'll be very glad you called.

Get it right: valuing assets correctly is vital for insurance to work properly

Class actions – it's time to pay attention

See you in court: class actions are increasingly common

Disaster is hardly unfamiliar to Australians. But one trend that has emerged after recent disasters does bear consideration. Australia's most significant legal actions in the past decade have resulted from victims affected by the catastrophes joining together to seek redress from organisations they feel contributed to their losses.

Last December the NSW Supreme Court upheld a class action that claimed operators of the Wivenhoe and Somerset dams in Queensland contributed to the severity of Brisbane flooding in January 2011. The decision paves the way for compensation to be paid.

Previously, the Supreme Court of Victoria oversaw class action settlements related to the maintenance of electrical supply lines near trees that resulted in the award of almost $700 million to victims of the 2009 Black Saturday bushfires.

Class actions have become a high-profile part of the legal landscape and not just in the case of devastating catastrophes that cause harm to many thousands of people. In fact, only seven claimants are needed to launch an action.

The fastest growth area is against listed companies that release unexpected bad news announcements, causing stock price plunges and a hit to shareholders' returns.

So the triggers for actions are wide and varied, and include product or service failures and other consumer protection issues.

There has also been a shift toward more class actions relating to general commercial disputes, with leading law firms suggesting it's important for directors, shareholders, small business owners and individuals to have an understanding of this increasingly active area of the legal system.

Class actions were introduced to Australia in the early 1990s, allowing greater access to the court system by individuals who could band together to pursue lawsuits that would otherwise be unaffordable.

Growth in the number of cases has also been fuelled by a rise in litigation funders, which facilitate actions by paying upfront costs that they recoup from monies flowing from a successful outcome.

Any business could end up on either side of the class action fence, as either a participant seeking compensation or as a defendant against a claim.

In the latter case, it's critical to investigate any matter fully and to gain advice from legal and insurance perspectives. Communications strategies would also need to be considered.

Directors' and officers' insurance offers liability cover to protect managers from claims resulting from decisions that have adverse consequences, and is applicable for companies of various sizes.

Additional cover is available for listed entities concerned about shareholder actions.

As the legal landscape changes, it's important to keep up to date with developments. We don't expect you to have a firm grasp on such matters, but you can expect us to.

So talk to us about class actions and the best ways to ensure you have the right insurance cover in place.

Google is a lousy insurance broker. Here's why

In the 24/7 Google-driven world that we now live in, there is no shortage of sites offering advice on just about everything under the sun. Type the search term, click, scroll and you are bound to find what you're after.

Herein lies the pitfall. We're also living in the age of misinformation. What if the advice you get off your computer turns out to be wrong? The price could potentially be costly, particularly for SME owners who have come to rely on Google as the default adviser for everything, including insurance.

Insurance company QBE recently highlighted the fact that every business is different and an analysis of the unique risks they face won't be found on a search engine. "Insurers and brokers are ideally the first point of contact for advice about insurance," says the company's General Manager for Small to Medium Enterprises, Aaron Gavin.

"Ensuring that you have the right level of cover for the risks that your particular business might face is essential to protect your livelihood. An insurance professional is best placed to provide that advice."

Unfortunately, our biggest competitor remains the information-peddlers, good and bad, which fill your computer screen. Many business owners appear to still prefer to take the advice of anyone except insurance brokers.

A recent QBE survey into the insurance habits of SMEs found just 14.6% of SME companies turned to a broker when they needed risk and insurance advice. But a whopping 40% looked up the internet and more than half got in touch with their accountants or financial advisers, whose expertise isn't focused on physical risk and insurance.

Online dangers: the internet isn't the place for insurance advice

And here's the clincher. While so many SME owners and operators turn to Google or professionals with limited expertise, 62% of them believe they probably don't have the right insurance cover.

Not only that, a similar number admit they have little to no understanding of liability insurance and about half are not sure about the different policies that are available in the market to cover the sort of risks their businesses face.

In a customer case study cited in the survey, a tradie recounted how his broker, by doing a rigid review annually, has kept his business adequately insured with the appropriate liability covers as his operations grew.

He said this regular contact with his broker has built a relationship he has come to value.

As the QBE survey puts it, insurance brokers like us can save your business money and give you peace of mind. Our work goes beyond simply arranging an insurance policy.

We tailor policies to meet the specific needs of your business, and we negotiate the best price possible with insurers. And when a claim has to be made, we will be there to help with the complex paperwork.

So talk to us now. Tell us about your business and let us sort out the insurance you need. Or if you're already one of our clients, you can gloat a little about the peace of mind you've achieved!

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