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## Don't delay on business interruption

When disaster strikes, it isn't just the material assets of a business that need protecting – but the profits too.

Losses due to the interruption of turnover can have serious consequences and threaten the viability of a business.

Despite this, many companies, particularly small and medium-sized enterprises, don't have business interruption cover, also known as loss of profits insurance.

It seems to come naturally to insure property, equipment and stock, but business-owners and managers often ignore the implications of an interruption to trading.

There is a lack of understanding about just how expensive even a small interruption can be. In fact, interruption costs often outweigh those relating to the physical damage.

Consider what would happen to the income of your business if a storm or fire forced it to close for weeks or even months. It can all get very messy very quickly.

Fixed costs such as rent, wages and supplier commitments don't stop even if trading does, and there can be additional expenses on top.

Extra staff may be required to get the business back up and running, and it may need to operate from temporary premises.

There could be loss of profit margin on destroyed stock, breaking of contracts, and a loss of customers to competitors.

Business interruption insurance can also cover indirect impacts. For example, if a shop on the same street as yours experiences a fire, customers may not be able to access your business.

There might not be any material damage to your business, and the incident might not have taken place on your property, but your loss of profit could be covered regardless.

The consequences of damage to premises of suppliers, customers and repairers, or damage to utilities such as power

The fire didn't affect your business, but what if your customers couldn't get to you during the clean-up?



stations, gas suppliers and water or telecommunications services can also be covered.

Statistics show that half of small businesses that suffer a major interruption and don't have insurance will fail within three years.

It is important to understand that a successful business depends on more than just a physical location and material assets – it also requires the opportunity to operate.

Business interruption cover enables a business to stay afloat while full strength is regained. It can help you survive the toughest of times.

Crucially, it can return the financial position of a business to where it was before the loss.

So the message is clear. If you don't have it, get it. Before it's too late. Talk to us about how we can arrange business interruption cover.



# Getting it right on privacy

The most significant changes to Australian privacy laws in a quarter of a century are now in place, and with the introduction of severe penalties, it might not always be plain sailing for affected businesses.

But what exactly has changed, and how can companies stay on the right side of the law?

On March 12, the Privacy Act was altered to include a new set of principles to regulate use of personal information.

Businesses affected by the legislation include those handling or trading in personal information and those generating more than \$3 million annual turnover.

Under the new laws, companies must have an up-to-date privacy policy explaining what they intend to do with the personal information they have.

This includes outlining what kinds of information they collect and whether they will disclose it overseas. If a business sends personal information to an overseas organisation it must make sure it is handled in accordance with Australian law, or face being held legally responsible if the information is misused.

Businesses can only use personal information for direct marketing purposes in certain circumstances, and must stop if requested to do so.

It is not permitted to use sensitive information relating to health, political preferences, ethnicity or sexual orientation for direct marketing, unless the individual has previously given consent.

People now have greater rights to their personal information, and a business must respond to requests for access to the data and correction where it is inaccurate. In some circumstances, individuals have the right to deal with businesses anonymously, or by using a pseudonym.

So what do businesses need to do to make sure their houses are in order?

Firstly, complete an audit to identify if, and to what extent, you deal with personal information.

Does your company have a privacy policy? Are customers or clients given the opportunity to transact anonymously?

A privacy notice should be provided when personal information is collected,

giving the name of your business and contact details. It should explain the reasons for collecting the information and how it will be used.

You should consider whether it is direct marketing to individuals, or disclosing data overseas, and make sure it complies with the new requirements.

Does your organisation take steps to protect the personal information you hold from misuse, interference or loss? What happens when it is no longer required? You should set out how you store and secure information.

The Office of the Australian Information Commissioner has the power to fine individuals up to \$340,000 and companies up to \$1.7 million – so the incentive for compliance is clear.

But with a considered approach, and the right systems and procedures in place, businesses should be able to steer a course through these changes without running aground. Talk to us about how we can assist in protecting your business from a breach of the new privacy laws.

# Management liability: The whole package?

In an increasingly litigious environment, the rapid rise of management liability has transformed financial lines coverage for the SME sector.

Protecting against the risks and exposures of running a business, management liability insurance removes owners' anxiety of losing not only their company, but their personal assets too.

Defending yourself against legal actions of any sort can be financially crippling – but is management liability insurance right for everyone? And do you need a broker to handle it?

The best way to answer these questions is to examine the evolution of the product.

A decade ago the vast majority of SMEs did not purchase any so-called financial lines insurance – it was just too expensive and too complicated to arrange.

However, underwriters soon began to package several products together.

Management liability policies can include directors' and officers' liability, company reimbursement, company liability, statutory liability, employment practice liability, trustee liability, business consultant fees, tax audit costs, crime protection and cyber and privacy liability.

By combining the types of insurance cover that specifically protect your business the cost – and the paperwork – can be kept to a minimum. When these types of insurance began emerging in the market, mainly because brokers began demanding them for their clients, small and medium-sized companies began snapping them up and the growth of management liability insurance took off.

However, there are some limitations, and it can be confusing and complicated. It's not a one-product-fits-all scenario, and it



Businesses are finding plenty to like about management liability cover

can be tricky to choose the right policy. That's where we come in.

Management liability may be affordable, but there is one limit that can be claimed, shared between all the covers you choose.

The excess you pay for a claim is usually low but the basic coverage also has low sub-limits, creating the potential for underinsurance.

It is simple to arrange, with less documentation required, but this increases the risk of errors or omissions. And due to the complexity of the cover, the claims process can be daunting for SME owners.

The phenomenal success of the product has led to an expansion of the target market, and it is sometimes of-

fered to those businesses for whom it is not the most appropriate solution.

For larger companies, stand-alone products can offer much broader coverage with separate and higher limits of liability.

As your broker, we can obtain the most competitive price and make sure the coverage is tailored correctly to suit your company's individual needs.

While management liability has become a must-buy for many SMEs, and is set to see still further growth, arranging it requires care and an understanding of your business. So give us a call to discuss how management liability insurance can protect you.

# Get ready for El Niño

As we move into winter, it's timely to start thinking a few months ahead to when the warmer weather will return. That's especially important this year, because the Bureau of Meteorology believes there is at least a 70% chance El Niño conditions are developing.

What does El Niño mean for Australia? And how might it affect your business?



“El Niño” refers to extensive warming of the central and eastern tropical Pacific that leads to a major shift in weather patterns. More than half of climate models surveyed by the bureau suggest El Niño thresholds will be exceeded by August.

This weather phenomenon usually results in very dry conditions over southern and eastern Australia and higher temperatures. Two-thirds of these events since 1900 have caused major drought over large parts of the continent.

Farmers fear a bleak year for crops, and more intense heatwaves can cause disruption to energy supplies and transport systems.

Bushfires tend to be larger and more destructive in El Niño years because more of the landscape is available to burn.

A cooling in the Indian Ocean, known as a positive Indian Ocean Dipole (IOD), could exacerbate the drop in rainfall and fire risk if it coincides with an El Niño event.

The weather experts say the IOD is most likely to remain neutral through winter, but two out of five models surveyed suggest a positive IOD may develop during the spring.

There are many ways to increase business resilience to a long period of hot conditions. Probably the most obvious hazard is fire. Flammable materials left exposed outside must be considered.

Rubbish, leaf litter and shrubs close to buildings should be removed, and flam-

mable materials should not be stored nearby.

It's also good risk management practice to brief staff on what to do in the event of a fire, and develop an evacuation plan.

Critical documentation should be stored in a portable waterproof container and data backed up on a portable storage device.

Bushfire is always a danger in Australian summers. But the hot and dry conditions of an El Niño event make them more prevalent. The hazard isn't confined to rural areas; it's also an ever-present risk in many suburbs.

Check with us whether you have adequate insurance cover to protect your business in the event of bushfire, and whether any specific preparations are needed.

A developed business continuity plan should identify and analyse bushfire risks.

Aside from El Niño, climate change is widely predicted to bring a “new normal” of more frequent and severe extreme weather events, and the insurance industry is behind a major push to encourage governments to spend more on mitigation and resilience to make buildings less prone to damage or destruction.

Preparing for El Niño is vital – and it's good risk management to always think ahead. Give us a call if you're unsure about how you should plan to protect your business by lowering the risk and having adequate levels of insurance.

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