

# AIS

# Liaison

The AIS Insurance Brokers Newsletter

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## Understanding 'claims made' policies

One of the many insurance terms that can cause confusion with a business owner is the "claims made" insurance policy.

Put simply, it's a policy insuring against a liability made in a 12-month period.

Normally these types of policies would cover areas such as directors' and officers' liability, trustees' liability, professional indemnity, crime and employment practices insurance.

It's important to notify us as your broker of a potential claim under these policies during that 12-month "window" – even though the claim may not be settled until outside the policy period.

We will then record the claim as notified and the circumstances of what triggered the claim can be investigated.

So what should be included when a notification is lodged?

In simple terms, as much as possible surrounding the nature of the claim. The insurer is unlikely to understand any notification that is vague or imprecise. This could lead to disputes between the claimant and the insurer and a drawn-out settlement process. Or at worse, the claim could be denied.

There's also a responsibility for the policyholder to understand what can justify a claim.

Under current insurance legislation, there is no timeframe specified when the notification of claim should be made after the event. But obviously the notification is better lodged as soon as possible and certainly before the policy's expiry date. We can advise and assist you in this process.

When notification is lodged, you as the insured business might also need to notify a third party of your actions to meet any commercial agreements.

Under such agreements your business might also be required to inform the third party of the progress of the claim and any outcome.



But informing a third party may raise some confidentiality issues between your business and the insurer, so legal advice might be needed before taking any such moves.

It's worth remembering a "claims made" policy has to be renewed after the 12 months. We will have structured this to happen smoothly, because if it's not renewed any new event occurring in subsequent years will not be covered.

If you don't inform the insurer of a notification in a previous year, the insurer could add a "prior known exclusion" to the new policy.

And while a renewed policy with an existing insurer will take into account previous notifications, changing the insurer would require this information to be disclosed again.

Although this information might result in a premium increase, this has to be weighed up against a claim being refused for failing to disclose relevant information.

As you can see, it's not an easy process if there is anything out of the ordinary about the claim.

All it ever takes, however, is one call to us and we can help you to sort the whole thing out quickly and professionally.

# Social media: some risks, many potential rewards



Pervasive as social media is in today's increasingly wired world, many small business owners still shun using Facebook, Twitter, LinkedIn, blogs and the like to promote their wares.

Many cite budget or resource constraints for the lack of a proper social media strategy and still prefer to stick with the traditional ways of staying connected with clients.

It's not an unusual attitude. Social media is a relatively new channel for increasing the exposure and revenue-

earning potential of your business. But because it can expose your company and its products or services to an audience numbering in the tens of millions, it's nevertheless an increasingly powerful method that has to be seriously considered.

For small and medium-sized businesses, it's also very effective and economical, avoiding the expense of paying for advertising or retaining a marketing specialist to reach out to new consumers and retain existing ones.

You can generate new revenue opportunities by building a "community" or advertising your products or services within the social media platform.

As your social media following grows, your website's ranking in the search results of various search engines can be expected to move up the rankings. The closer you are to the front on such search engines as Google and Yahoo, the greater your company's visibility to a vast audience of people looking for the sort of services or products you specialise in.

So, start your social media journey today.

Of course, now that we have spruiked the benefits, as your insurance broker we also must discuss some potential downsides you should factor into any social media program.

For example, opening your business to the world through the internet can increase the risk of having your website attacked or in some extreme cases held to ransom. Just as damaging are hackers out to make mischief by fooling around with your website.

There are also legal risks associated with privacy laws, content ownership and intellectual property infringement.

Remember that some

businesses have suffered brand damage due to the power of social media to build negative impressions. Being interactive means you'll always have to be on the ball to spot criticisms and counter them.

Other risks centre on fraud, intellectual property loss, financial loss and privacy violations.

We recommend that any business considering a move into social media should assess the potential vulnerabilities, and design your approach to minimise such risks.

But don't be deterred. Social media is an amazing and fast-growing phenomenon. The risks are there, as there are in any type of business venture, but the potential rewards can't be ignored.

As long as you're prepared to devote time to constantly build interest, using such media as Twitter, Facebook and LinkedIn to generate interest in your interactive and lively website, you're well on the way to increasing the effectiveness of your business.

Talk to us about your plans for using social media to build new business and retain your existing customers and clients. We can work with you to identify the risks you might face and show you how insurance can help to minimise those risks.

# Weather and cyber attack – the risks that keep on growing



The volatile business environment is not the only risk facing Australian businesses. Climate-related events and cyber crime, for example, are two risks becoming more prevalent each month.

The debate on climate change is not going to end suddenly with one side or the other claiming victory. But it's impossible to escape the scientific conclusion – and the physical evidence – that extreme weather conditions are occurring more frequently than in the past.

Floods, bushfires and severe storms have caused damage in every Australian state and territory in the past few years.

These events have impacted both property and people, sometimes with fatal consequences.

So what should a small business do as they face greater exposure to such risks?

The first step is to look at the information on weather-related risk in your area and what impact an event such as a severe storm would have on your ability to keep your business operating.

This includes the financial impact on the business if, for example, there was no power for a week.

And a further consideration is the likely

impact on the surrounding community if there were an escape of toxic material stemming from storm damage.

Once you've gained a clearer idea of the possible consequences from the hazards that exist in your area, talk to us. We'll be happy as your broker to add our specialist expertise to the mix to come up with risk scenarios. We can advise not only on how your existing insurance cover will operate in covering those risks, but also how to refine them if new risks have emerged.

For example, building and disruption cover will tackle some of the issues caused by severe weather events, but such factors as pollution could be outside the traditional cover for a business.

Some liability policies will deal with issues arising from pollution claims, but again we can work with you to update your cover to include risks from severe weather events.

While weather events aren't an everyday occurrence, cyber risk has become a constant threat to businesses.

This can range from an innocuous email that contains malware to a full-blown hacking attack on the data stored within a computer system.

The technology we now rely on to run our businesses is also helping cyber criminals to develop more sophisticated methods of attack.

Insurers have become so concerned they believe the risk of cyber liability losses will exceed those from fraud or theft.

Businesses can insure against such cyber risks through standard policies, but more extensive cover of cyber risks would probably be better written in a separate policy.

These policies should cover loss or corruption of data, business interruption, identity theft, cyber extortion and reputation recovery.

Another risk from cyber crime is the loss of personal data on clients that can result in fines from regulators. Even worse is the risk of a legal class action on behalf of customers whose privacy was compromised.

The risk of cyber crime is evolving rapidly and businesses should be looking at their cover on a regular basis to counter the increasing threat.

Natural catastrophes and cyber attacks were once regarded as isolated occurrences. That's no longer the case, and you should be prepared. Give us a call and let us help you.

# Are you underinsured? The answer is, probably

A significant number of small businesses have no idea what their business insurance actually covers them against, with many uninsured for the very business risks they worry most about.

That's one of the findings of the latest SME Insurance Index compiled by insurer Vero.

This year's survey of 1500 small to medium enterprises finds that 39% of SME business owners claim to know what their business insurance does. But they also admit they're not really sure if they have the right risks covered.

For example, the index shows that 80% of those who rank "being unable to trade" as a top concern nevertheless say they don't have business interruption insurance.

The result is the same across all genders and age groups, with SMEs only slightly more likely to think they have business interruption than micro-businesses.

Brokers' clients are slightly more likely to believe they have business interruption insurance than businesses who buy their insurance without brokers' advice or assistance.

The index also found that even though retail and accommodation food businesses are a little more likely to think they are covered, 71% of retailers and 67% of accommodation/food businesses claim not to be covered.

A similar picture emerges regarding equipment breakdown, with 80% of those who are worried about it believing their insurance does not cover it.

And despite clients' confidence in their brokers, 77% of those who used brokers to access insurance still suspect they might not be covered against the risks that keep them awake at night.

We think that's a very good reason for contacting us immediately to set your mind at ease – we've either



got you covered whether you realise it or not, or you don't understand the nature of the risk that's worrying you. It may have no application in your business, for example.

Whatever the worry, please don't put off calling us to discuss it. We're happy to set things straight.

The Index also asked businesses for the first time in its five-year history what their major concerns were, and discovered small business owners related very strongly to events that could impact their ability to do business.

Some 32% of SMEs claim to be very concerned about being unable to trade for a long period of time, and 31% are worried about equipment failure or breakdown. Workplace accidents, cyber-attack and being sued were also of concern.

Interestingly, the research highlights the role of

we brokers as trusted advisers for SME business owners, showing we are rated by our clients as highly as accountants and bookkeepers.

The survey shows 38% of SMEs look to us for information on general business risks, while 43% are interested in being provided with a risk analysis of their business.

This suggests that brokers have a role to play as trusted advisers rather than simply being an insurance distribution channel.

This is very important information for us, because it reinforces your understanding of the value of the trusted adviser. The survey says the broker-customer relationship results in greater depths of loyalty and a more rewarding experience for all involved.

We couldn't agree more.

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**A.I.S. Insurance Brokers Pty Ltd**

137 Moray Street  
South Melbourne 3205  
PO Box 7760  
Melbourne Victoria 3004

Telephone: 03 8699 8888  
Facsimile: 03 8699 8899  
insure@aisinsurance.com.au  
www.aisinsurance.com.au