

AIS Liaison

The AIS Insurance Brokers Newsletter

SUMMER 2017

Heat and disaster go hand in hand

In the middle of summer, Australian businesses face some unique hazards. Hotter weather is indeed something to enjoy, but it's also the season where natural disasters can affect us all in different ways.

With the mercury stuck up in the 30s and the new year well under way, thousands of owners of small and medium-sized businesses in Australia are taking stock of their insurance needs and considering how to bridge any coverage gaps.

We're always here to help with advice on the risks your company faces and the best ways to deal with them. Sadly, stories abound every summer of business operators who've been caught out by an unexpected event that exposed or ruined their business. We don't want you to be included in any statistic recording businesses that didn't recover from a setback caused by a summer-related risk.

The Insurance Council of Australia isn't taking any chances, either. It has launched an awareness campaign of summer hazards as weather and climate forecasters predict a long run of above-average temperatures.

It's not just bushfires on the fringes of cities and in rural areas that we should be guarding against. Much closer to major population centres – and sometimes surrounded by light



Bushfires, drought, flood – Australia provides them all in summer, and farmers aren't the only ones who rely on insurance to manage the risk of natural disasters

industrial and housing zones – are grasslands that have been singled out as areas vulnerable to fire.

And then let's not forget the other natural hazards that come with summer: things like cyclones, floods and electrical and wind storms.

The Insurance Council campaign is reminding business-owners to undertake preparations for the worst-case scenarios.

If history is any guide, one thing the business community can count on is that the natural disaster season is never going to be a quiet one.

The last disaster season, considered relatively benign by weather experts, cost the insurance industry more than \$630 million in insured losses.

So if you are worrying about whether a particular policy will protect your business against the wide variety of hazards you face when the weather has warmed up, there is a policy that may be just the thing you're looking for.

Known as "excess buydown", this type of insurance has grown in popularity. And no wonder: it is an inexpensive way for the business community to get insured in locations that might otherwise be deemed as too risky for insurers.

It's not too late to send us that email or pick up the phone and ask about excess buydown or other forms of business cover.

We can address your concerns and work out what you need to survive and thrive through this long, hot summer.

Losing sleep? We have the cure!

Small business owners often lie awake at night worrying about their enterprises failing. They'd sleep a lot better if they knew their future success would be entirely due to their efforts and not because some outside factor caused them to fail.

Which raises this question: if they can insure against things that disrupt their business, why do so few business-owners have business interruption insurance cover?

Some 80% of small to medium enterprises (SMEs) surveyed by a major Australian insurer in 2016 said they didn't have any cover for an event that would disrupt their business and affect their ability to earn the money necessary to keep operating.

This means only 20% of the 1500 SME owners surveyed are sleeping peacefully at night!

The figures are the same for equipment breakdown insurance and for cyber insurance, despite the latter becoming a growing threat.

It's not that people aren't aware of the risks. The survey found 32% of SMEs are concerned about being unable to trade, while 31% are worried about equipment failure.

The gap between the fear of ceasing to trade and having adequate insurance cover is hard to fathom, as 39% of those surveyed say



they understand the need for business interruption insurance.

While there is a gap between understanding cover such as business interruption insurance and taking out a policy, the survey found SMEs were open to advice from "trusted sources" such as their insurance broker. That's us.

Nearly 40% of SMEs said they were interested in receiving information about general business risks and 43% would welcome a risk analysis of their businesses.

Of course, arranging business interruption insurance is not just about paying a premium.

It's important to make sure the business is insured to provide an income stream during the period of interruption. All overheads should be factored into this figure.

Understanding any exclusion in the policy is important, as it is too late to discover this if and when a claim arises.

And the claim process is rarely as easy as people

expect. How does a busy SME owner complete all the claims paperwork and negotiations when they should be running the business?

The survey also looked at satisfaction levels of SME owners who used a broker and compared their experiences with those who didn't.

Immediately obvious was the level of certainty brokers brought to the risk process through the provision of in-depth information and the ease of selecting the most appropriate policies from the many available options.

Another area where SME owners expressed high levels of satisfaction came after they experienced a claim and were taken through the process with the aid of their broker.

Those using a broker expressed great experiences with their broker advocating for them when an insurer disputed a claim, compared to owners who had to deal with the insurer directly and without assistance.

Running a business involves many skills and sometimes nerves of steel, but reducing the level of worry is the role of business interruption insurance.

After all, we want you to have a good night's sleep so you can face the challenges of the next day knowing you're protected against things that simply aren't your fault.

Keeping your commercial vehicle safe from theft

Theft of commercial vehicles can be incredibly disruptive to a business. All too often the thieves steal a tradesman's tools as well. What seems like a simple case of car theft can be a commercial disaster.

Last financial year 8824 commercial vehicles were stolen, costing insurers \$107 million – and this figure doesn't include goods or tools kept in the vehicle.

Since 2011 the volume of theft of these vehicles has been fairly consistent at about 9000 vehicles a year. That's about 20% of all passenger and light vehicle theft.

The most popular vehicle targeted by thieves is also one of the most popular commercial vehicles in Australia – the ubiquitous Toyota Hilux. It accounts for one in five of all commercial vehicle thefts.

Last financial year a grand total of 1781 Toyota Hiluxes of all ages were stolen across Australia –that's nearly five Hiluxes a day!

Why would car thieves even look twice at vehicles that are so common on Australian roads? Well, there are so many they blend into any urban setting, so they're easy to sell. They also make ideal vehicles for carrying out crimes and because they're built for tradesmen, they'll often contain a bonus – tools of trade, machinery and all sorts of technical equipment.

Commercial car thieves are usually more sophisticated than your average joyrider. They carry electronic devices that can disable engine immobilisers, and they know what they're looking for.

While insurance is an essential part of protecting your vehicle and its contents, deterring the thieves in the first place is far better than having to go through the trauma and delays associated with loss.

Ray Carroll, the Executive Director of the National Motor Vehicle Theft Reduction Council, says there are a few rules commercial vehicle owners can use to reduce the likelihood of their vehicles being stolen.

He says it's a "perennial difficulty" to protect tradesmen's vehicles, which all too often are parked outside the home. Parking a commercial vehicle on the street is apparently akin to a neon sign saying "steal me".

Better, maybe, to give over the garage to the van or ute and put the family car out on the street. Tradesmen who have no



choice but to leave their vehicle outside should at the very least buy a custom-made steel tool carrier and make sure it is always locked and bolted down.

Mr Carroll says vehicle owners should not rely on their immobilisers. They should use old-fashioned steering wheel locks as well as the immobiliser to give a double layer of protection.

Even in this day and age, seven out of every 10 cars stolen are taken with the owner's key. Keys get left in vehicles, and thieves are also not averse to breaking into a house or office in search of the keys.

Mr Carroll says where commercial vehicles are left on site, owners should have a strong and reliable key safe.

"It's not just the vehicle, but what's in it," he says. "Tradesmen's tools are lost along with the vehicle, and then there is the lost productivity while you try to replace everything you've lost.

"Losing a work vehicle for a small business can be extremely disruptive, not to mention the effect on future premium."

So, talk to us about your security measures for your commercial vehicle. We'd much prefer to help you keep your van or ute out of the hands of the thieves than help you through an insurance claim.

Technology versus the human touch



Face-to-face contact, specialised knowledge and negotiating skills are human factors that show no signs of changing. So far the power of personal contact reigns supreme over the rise of such things as robo-advice and computer-generated insurance policies that rank every business and its risks in much the same way as any other business.

We look on each of our clients and their businesses as unique. The way they choose to engage in business, their ambitions and the risks they face are all different, and we treat them that way.

The difficult economic times all commercial enterprises face at present means that insurance cover is under the microscope as never before. Business owners don't want to pay a cent more than they have to for their protection, and we understand and support that point of view.

So while we're using technology to help find the most suitable cover for our clients – you might be surprised at how much person-to-person contact is often involved in negotiating terms and conditions – we also rely on our experience and our industry knowledge to arrive at the best solutions.

We will always be on hand to advise you, our client, on risks that are common and unique.

And when it does come down to making a claim, technology is always going to give way to the human touch. Try getting a computer to negotiate a tricky claim!

Technology rules our business lives. It has made us more efficient and has enabled businesses of all sizes to expand their operations. And it's made us more competitive as well.

Unfortunately, the flourishing of technology in business also has social downsides. It removes many of the low-skill jobs that bolster employment and give many young people a start on their working careers.

And in business it can be used for bad just as easily as it can be applied for good. Not so long ago the term "cyber crime" was a novelty, but now it's something that we hear about from our clients practically every day.

Insurance companies worldwide have had to race to keep pace with the ever-increasing sophistication of cyber criminals trying to steal a company's data or access its bank accounts. We

can't stop them, but we can help to protect you from the financial and business consequences.

That's just one example of the ways technology is having a big impact on insurance. While it's creating whole new areas of risk and international crime, it's also opening up opportunities for entrepreneurs and insurers to find smart new ways of covering people against computer-generated risk.

Such things will always be works in progress, and as insurance brokers we're just as involved as any business in using technology to be efficient while keeping a wary eye on the myriad of emerging traps.

But conversely, even as computers make everyone more effective in their businesses, some things haven't changed. The human factor remains a very important part of any service-based business.

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