

WINTER 2015

A good way to beat bad debt



Another dodgy cheque returned by the bank: trade credit insurance relieves stress and helps your business

Trade credit insurance goes by many names – insolvency insurance, bad debt insurance and debtors insurance are just a few.

But if your business sells goods or services on credit terms, it doesn't really matter what you call it – just don't ignore it.

Such firms often see a significant portion of working capital tied up as accounts receivable, putting profits at risk if a customer fails to come up with the cash on time.

Trade credit insurance can protect your business from losses due to customer insolvency, default or political risk – both in Australia and overseas.

Credit insurance typically covers up to 90% of a contract's value, with the insurer paying out if the customer can't.

The insurer will then pursue the customer for payment.

Trade credit can make sure your business is able to cope with major debtors failing to pay.

The risk to your own bottom line is very real – it's actually much more likely that a debtor will go broke or suspend payment for whatever reason than for your building to burn down.

Insuring your premises is common practice, so why wouldn't you also protect one of the largest assets on your balance sheet, your trade receivables?

Without trade credit insurance, you could be exposing your business to enormous risk.

Policies can be tailored to specific needs and are available for businesses of all sizes.

In the past, the target market was suppliers and exporters of hard commodities and manufactured goods, but this has widened in recent years.

Labour hire, electronics, advertising, technology – almost anything that's sold on trade credit can be covered.

However many firms, particularly SMEs, still aren't protected.

Working with trade credit insurers can be an important and proactive part of a risk management strategy, helping avoid bad situations before they are allowed to develop.

Trade credit can make it easier to expand your business, allowing you to offer customers more competitive credit terms and increase borrowing power.

Banks will normally look more favourably on funding requests from firms with trade credit insurance and you can often negotiate better finance terms as well.

So apart from acting as a safety net for your business, trade credit also gives you a competitive advantage, while others operate with uncertainty,

And it provides a valuable service to the wider economy, helping prevent a bad debt domino effect.

Trade credit insurance helps manage a key risk for those selling on credit, enabling businesses to grow with confidence.

If you'd like to concentrate on your future, without being weighed down by past problems, talk to us about protecting your profits and your peace of mind.

Ignoring vital cover just won't wash



From berries to cars and fridges, product liability risks keep growing in numbers

The number of product recalls in Australia increased by 14% last year – and it isn't just tin-pot manufacturers to blame.

Big brands are increasingly affected – from Nanna's Berries, to BMWs and Samsung washing machines – proving that you can never be sure where disaster might strike.

Australian Competition and Consumer Commission (ACCC) figures show that the regulator negotiated or monitored 307 recalls last year, significantly up from 268 in 2013.

And those incidents could

be just the tip of the iceberg, with as many recalls again managed by specialist regulators.

Consumer group Choice says the upward trend, as well as the involvement of major brands, is alarming.

"The latest recalls read like a script from a Hollywood horror film – exploding airbags, washing machines that burst into flames and garlic bread containing pieces of metal," it said.

More and more goods of all types are being imported, increasing the level of uncertainty.

Certain business practices,

such as quality assurance systems, can reduce the risk. But every business that sells, supplies or distributes goods should also have appropriate product liability and product recall insurance in place.

Product liability cover can protect business-owners that are liable to pay for third-party damages, and will also minimise the impact on finances and reputation.

Policies can cover compensation, and the cost of legal proceedings.

Manufacturers, importers and retailers can all be

taken to court by consumers suffering loss or damage due to defective goods.

The court decides if the item was defective, and if so what the level of compensation should be.

Consumers have three years from the discovery of a defect to bring an action, and the ACCC also has the power to bring a case on consumers' behalf, usually when a defect has caused widespread problems.

Awards can run into millions of dollars, then there's the cost of identifying and replacing the defective items.

Plus the impact on your business reputation alone can be devastating.

With product recall insurance, recall costs are recoverable and some policies give advance payments.

Customer notification, shipping and disposal, product replacement, business interruption, brand rehabilitation, and certain third-party expenses can all be covered.

Policies can be tailored to each client's specific requirements to cover such things as product extortion and malicious tampering.

In a fast-changing world, there are already enough risks in business. Taking unnecessary chances just won't wash.

Call us to find the policy that suits your business needs, and plan for a future without fear.

Keep profits flowing with business interruption cover



No access: without business interruption cover, how will you pay your ongoing costs?

Most small business-owners are well aware of the importance of insuring against tangible risks like fire, theft and extreme weather events.

Business interruption insurance, however, is not so easily understood – and as a result has much lower take-up.

Research indicates that more than 60% of SME businesses don't have business interruption cover, and 23% have never even heard of it.

But that doesn't mean it's not important – in fact it is crucial to the smooth running of your business.

When disaster strikes, a business interruption policy could well be the difference between survival and going to the wall.

With property insurance, you will have physical damage caused by a blaze, break-in or storm covered.

But who will pay for all those ongoing expenses like wages, rent and supplier costs?

Stock might have been destroyed,

contracts broken, or customers lost to competitors.

It could be months before you're able to open your doors and start making money again.

This is where business interruption insurance can save the day.

It's designed to cover all the expenses you incur while waiting to get your business up and running again.

It could pay for you to relocate to temporary premises, or cover advertising costs to let the world know when you're back in business.

Some policies will cover indirect impact – for example if the physical damage was to another property in your street, but customers were prevented from accessing your business as a result.

Most people don't realise just how expensive even a small interruption to trading can be – the costs often outweigh those caused by physical damage.

The size of the premium will pale into insignificance compared with the millions

of dollars that could go down the drain if you leave your business exposed.

You could be forced to borrow from family or friends, take out a bank loan or spend your entire life savings, and it probably still wouldn't be enough.

Statistics show more than half of small businesses without business interruption cover fail to recover from a major loss, even if they have property insurance.

Nobody likes to think about the worst-case scenario, but business interruption insurance could be the difference between going under and staying afloat.

It may be tricky to understand, but it's vital, and no SME business should risk being without it.

We can help arrange appropriate cover, and if trouble strikes we can take you through the claims process.

So why not talk to us about a business interruption policy to suit your needs. It's cheaper than you might think, and it's the best way to ensure the survival of your business when things go wrong.

Don't ignore brokers' expertise

With the growth of direct insurers and online price comparison sites, business-owners might sometimes be tempted to believe they no longer need an insurance broker.

'Do-it-yourself' business-owners now have a raft of information at their fingertips, and many assume that cutting out the broker would cut down costs.

They could not be more wrong.

Just because a business can make insurance purchases without expert assistance doesn't mean you should.

For one thing, a focus on price and price alone can be extremely dangerous.

Low premiums are all well and good, but are you sure that you've got the best, as well as the cheapest cover?

Do you have confidence that all bases are covered should the worst happen and you need to make a claim?

What seems like a money-saving move could be extremely costly in the long run if you leave yourself underinsured.

A relatively benign claims experience has led to a soft market, where high levels of competition are driving



Your dealmaker for buying insurance and your best friend when it comes to claims: the insurance broker remains a vital business asset

premium rates down.

In this environment there are potential savings to be made, but can you ever be sure a direct insurer hasn't sacrificed important aspects of cover in order to compete on price?

The sheer volume of online information can sometimes be a hindrance rather than a help.

Business-owners could spend days surfing countless options on the web, and still not be confident they have made the right call.

That time could be better invested in other areas, by allowing your insurance

broker to take the lead.

An experienced broker who truly understands the insurance industry can give you the peace of mind that you've got the right cover at the right price.

In today's rapidly changing market, our knowledge and advice has never been more important.

So don't rely on other less formal sources of insurance. They might not be accurate and they certainly won't be tailored to your specific needs.

We often say that it's when disaster strikes your business that you understand the true value

of your broker – because it's our job to represent you in resolving your claim.

The latest research from Vero Insurance found that 90% of business-owners are satisfied with their broker.

By all means use the internet for research and education. But pause before you make that final purchase and talk to us – we know insurance inside out and can help you to select the right level of cover at the right price.

When something does go wrong, we'll be the ones with you on the claims frontline, saving you time and making sure you get every cent of cover.

AI*S*

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