

Staring down the worst case scenario

Whether it's black swan events from left field or the increasing cyber crime threat, there's a lot for business-owners to think about when it comes to risks that could erode profits and derail ambitions.

Businesses must grapple with issues that evolve over time, while risks can come from such a wide spectrum of possibilities that it can be easy to overlook something that could affect a business for months.

Former US Defence Secretary Donald Rumsfeld articulated the problem of seeing into the future when he famously spoke about "known knowns and known unknowns" and the more troublesome "unknown unknowns".

Risk management assessment and planning is a way to grapple with the issues and is entwined with the purchase of insurance cover in helping businesses put a more solid framework around the uncertainty.

While it's impossible to predict and manage every possibility, having a sound plan in place goes a long way toward reducing the possible impact.

We can be a key part of the risk identification and management process. Professional advice is important in highlighting areas that can be covered and ensuring the best protection.

The process of business risk management is not dissimilar to the prevention, preparedness, response and recovery model that has been used by Australian emergency management agencies for decades.

We can help you look at internal and external business risks and guide you in understanding what would happen to your business in a range of scenarios.

Those could include an extended power failure, losing internet or data access, a critical supplier going out of business or an owner becoming incapacitated.



Knowing your risks and minimising or eliminating them is a key part of any risk management plan

Other scenarios could consider the impact on a community from a cyclone, bushfire or other natural disasters, while the business premises itself could be so badly damaged it can no longer be entered.

Potential insurance cover available includes protection for property damage, theft, business interruption and key person insurance.

The Federal Government's own business website also stresses the importance of public liability, professional indemnity and product liability cover.

"Though liability insurance is optional in most cases, it is strongly recommended for businesses in all industries as the likelihood of being sued is unpredictable and potentially very costly," it says.

Gaining professional advice becomes even more important in putting together a comprehensive plan, with the prospect of a firming market for insurance cover.

Sitting down with us to contemplate everything that could go wrong, from trivial events to worst-case scenarios, might not seem all that attractive at first – you've got a business to run and no one wants to contemplate "might happens". But we're confident you'll discover it's time well spent.

Protect your business, but also get a life!



SME owners should keep a separation between their personal and business lives, according to a study from a leading insurer.

It's good advice. Far too many business-owners don't draw a line between their work and their personal lives, when relaxation away from long hours and the stresses of your business is simply a facet of good management.

As your insurance broker, it's our job to help you get that work-life balance right by advising you on the risks that could harm your business and finding you the right policies that cover you against financial harm. That way, at least, you can relax knowing you're protected for the unique risks your business faces.

Suncorp's SME vs Me report finds that business-owners are more likely to be satisfied with their work-life balance when they find time to look after their health, ensure work doesn't intrude on their personal life and complete their work within normal hours.

More than a fifth of the 500 SME owners surveyed work

more than 60 hours a week, but the report highlights the importance of making time to prioritise wellbeing.

"Time is so valuable to small business owners, yet it's the one thing they rarely have enough of," the report says.

It says there are many ways to save time, including using trusted advisers like insurance brokers to alleviate pressure.

Technology can also be a major time-saver. The survey says technology and digital tools are key ingredients to business capabilities, with confidence levels higher among SMEs who use social media, a mobile app or search engine optimisation.

"As technology and digital capabilities continue to enhance and evolve, so do the opportunities for business," Suncorp says.

"We found businesses that use online or digital tools are more confident in reaching their medium-term business goals.

"Interestingly, nearly half of SMEs with tenures of more than 10 years don't

use any online or digital tools within their business, which could perhaps explain why business confidence and expectations of profit generation drop after the 10-year mark."

Blurring the lines between personal and business finances can also impact SME owners' wellbeing.

The report finds one in three SMEs use personal finances to manage their cashflow, and a quarter of sole traders and new business owners (in operation less than three years) haven't been paid by their business in the past 12 months.

Suncorp says that while business-owners are "generally satisfied" with the performance of their business, many are overlooking their personal wellbeing to achieve business success.

"Despite more than half of SMEs admitting it's important to keep personal and business finances separate, our findings highlight many SMEs prioritise their business over their personal

wealth and wellbeing," Suncorp says.

"More than two-thirds have experienced personal challenges including fatigue, financial stress, loss of motivation or relationship strain because of work-related matters."

Despite this, the report finds most owners understand managing a business requires a long-term view. "They aren't motivated by instant gratification or quick success.

"It takes at least three years for a business-owner to feel confident and satisfied about their business' profit generation and outlook.

"Similarly, while many new businesses don't expect to meet their 12-month goals (84%), it's pleasing to see one-third are confident in reaching their five-year goals."

So remember: we can save you time and give you peace of mind and confidence to grow your business – while you maintain your life outside work.

Time for action as the insurance market turns

The rising cost of everything keeps business-owners awake at night, but in the case of insurance most rises so far have been modest. The exceptions so far have been in some high-risk occupations and for companies which have experienced raised claims levels.

Energy expenses have been widely publicised recently as prices have risen and politicians wrangle over the best way forward, while property rents and wage levels have sparked plenty of discussion.

Debate on insurance premium levels has mainly focused on cyclone-prone northern regions, but on a broad national level the commercial market has been experiencing flat premium rates, or even declines, for several years. Rates were kept in check as suppliers battled for territory in competitive markets and overall losses were relatively benign.

But wider industry feedback from the mid-year renewals suggests the weak market scenario is changing. Earlier this year major insurers have pointed to “soft” prices and pressure on underwriting profits as the catalyst for a change in the market, and the shift now appears to be gaining momentum.

The local insurance market has reflected the global experience over the past five years or so, with premium rises being held as low as possible under the influence of lower reinsurance rates for insurers and the highly competitive nature of the Australian insurance business.

But now insurers are taking stock of the risks they are carrying and, where necessary, it's time for us to help you take stock and assess where changes can help keep budgets in good shape.

Analysts say insurers are seeking to restore profitability in areas where it was



Cyclone Debbie was a potent reminder of the value of mitigation

no longer feasible for rates to drop further. Claims inflation has also contributed to increases in lines such as motor cover.

Insurers generally have been less inclined to negotiate lower premiums and have become more confident about putting increases through without losing business, and even some profitable classes are seeing premium gains.

Price moves were far from uniform during the so-called renewals period in June and July, when many insurance contracts are renegotiated each year. The insurers' attitude reflects variations in capacity, continuing price competition in some areas and issues specific to particular customer situations.

Some liability lines have seen gains of more than 20%, but in most classes of business the rises have been far less.

Loss-affected policies have tended to see sharp percentage jumps, creating challenges for high-risk businesses when it comes to renewing at affordable levels.

In property, cyclone-prone areas face increases after Cyclone Debbie

pounded parts of Queensland and New South Wales earlier this year, again demonstrating damage vulnerabilities and the benefits of mitigation – that is, fixing the problem before it becomes an insurance claim.

The shifts in the market are highlighting the importance of reviewing policies and ensuring your individual circumstances are given close consideration.

This is a time where a good insurance broker – and that's what we are! – can really help. We have a key role in taking up the cause of our clients and overseeing a process that ends up with you receiving the best possible cover for the lowest possible premium. We work with insurers all the time, and we know how to present our clients' insurance needs in a way that ensures they will get the best possible deal.

We can also advise you on those risks that can be dealt with to lower your risk profile and reduce your premium. It can be a very prudent investment. This is a good time to be proactive in locking in positive outcomes.

Data breach laws: are you ready?

Australia's mandatory data breach notification laws are likely to come into play on February 22 next year, dramatically altering the cyber threat landscape for SMEs.

Smaller businesses are particularly vulnerable to data breaches, because they aren't usually able to afford the same protections as larger companies.

The new laws will ramp up the consequences of any attack, because companies will be required to report serious data breaches to affected individuals and the Office of the Australian Commissioner "as soon as is practicable".

Currently, organisations are encouraged to report breaches but there is no obligation to do so.

A significant data breach can be financially crippling, with costs from business interruption, incident response, third-party claims and the requirement to inform customers.

The enforced reporting of breaches is expected to lead to increased reputational damage as well as a greater risk of legal action.

The law applies to all businesses with an annual turnover of more than \$3 million, and failure to comply could result in fines of up to \$360,000 for individuals or \$1.8 million for organisations.

A data breach is defined as a situation where:

- there has been unauthorised access to, or unauthorised disclosure of, personal information about one or more individuals, or



- such information is lost in circumstances that are likely to give rise to unauthorised access or unauthorised disclosure, and
- there is a likely risk of serious harm to any individuals as a result.

"Relevant data" can include personal information, credit information or tax file numbers. "Serious harm" includes physical, psychological, emotional, economic, financial, or reputational harm.

So you can see that this is no small matter to businesses that are affected by the new laws, and it's advisable for you to prepare well in advance of them being introduced.

You can minimise the risk of a breach by making sure firewalls and virus protections are up-to-date.

It would also be a good idea to sort out who is the best person in the company to assess any breaches and whether notification is necessary. Training should

be provided for all relevant staff, and you should have strong and easily understood policies to protect against an IT intrusion and procedures in place to follow if the worst happens.

Focus on actions that could remediate a breach, as notification is not necessary if serious harm doesn't arise.

If you are the victim of a cyber attack and data breach – and it's increasingly common – you should have an insurance policy in place that protects you against the wide range of financial damage your company could suffer.

Don't rely on "traditional" insurance policies. This is a new kind of threat and it requires specialised cover that can even be tailored to suit the unique needs of your business.

Talk to us about this, and let us advise you on ways to manage your cyber risks and arrange suitable protection.

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