

# brokerwise



Brought to you by: **Council of Queensland Insurance Brokers Inc**

## Welcome to brokerwise

Within the pages of this quarterly newsletter we plan to bring you a variety of interesting stories, opinions and news items.

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...for peace of mind

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... for a Happy New Year

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## Business Interruption cover. A survival lifeline

In previous issues of Brokerwise we've featured several articles on the importance of Business Interruption Insurance. To emphasise just how important this cover is we make no apology for revisiting the subject and presenting some recent and scary statistics together with a few clues for business survival. Want to stay in business in the aftermath of a business-busting fire or storm event? Read on.

**Research of fire losses in Australia shows that 43% of businesses suffering a major fire did not re-open for business and a further 28% of businesses failed within the next 3 years. That's 7 out of 10, closed down, jobs lost, out of business.**

**42% of the surveyed firms had no Business Interruption insurance, whilst 17% had no insurance at all.**

**In the marketplace currently, it is estimated that 40% of insured businesses are severely under-insured and 15% significantly under-insured.**

Business Interruption insurance is designed to return the business to the same financial position it would have enjoyed if the fire, storm etc had not occurred, i.e. paying all the on-going expenses and reimbursing the net profit which would otherwise have been lost.

Significantly, if you have selected a long enough Indemnity Period, it will continue to pay until your turnover returns to its level before the fire or storm event and if the sum insured has been correctly calculated it will even include growth which would have been expected after the event, based on the trading pattern immediately beforehand.

You won't need to dismiss or stand down any staff; particularly those who are important to your business but you can choose a variety of methods to insure your payroll. For example, you could choose not to insure casual wages.

Selecting an Indemnity Period long enough to get your business back to

normal is very important and should take into account the significant time it takes to get plans drawn, obtain local authority approvals, get specifications prepared, call tenders and so on, quite apart from the actual construction time.

Whether or not you own the building, you still may need to purchase new machinery and plant which may include arranging for machinery to be manufactured overseas and imported. You may be entitled to walk away from your existing lease but finding suitable alternative premises could be very difficult.

A recent major fire in Brisbane caused a number of undamaged businesses to close for a period because of prevention of access. If they had Business Interruption insurance their loss of trade would have been covered even though they had no actual fire damage to their own property.

If your business relies on a particular supplier or a number of key suppliers, Business Interruption insurance will provide some coverage for your loss of business if the supplier suffers an insured event such as a fire. There is usually a limit of 5% or 10% of your gross profit sum insured for unspecified suppliers but you can nominate particular suppliers and negotiate for higher cover.

Likewise if you rely on a limited number of customers, your policy can provide cover for your loss of gross profit if a key customer suffers insured damage.

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## Fines, penalties and costs. All covered

Statutory liability insurance is available to protect companies and individuals from statutory fines and penalties awarded against them, at both state and federal level, as a result of breaches of this legislation. As well as the fine, legal costs and associated expenses incurred with the investigation, defence and settlement of any claim is also covered.

Legislation which the policy covers includes; Occupational Health and Safety legislation, Environmental law, Employment Practices legislation, Companies Law and specific industry legislation such as the Telecommunications Act 1997.

It's very easy to inadvertently breach these laws and business proprietors are advised to discuss with their broker the need for this essential protection, particularly those companies involved in mining, construction and manufacturing. 🐻



## Desalination. Neither easy nor cheap

As Australia has been severely affected by both drought conditions and changes in rainfall patterns, a great deal of attention is now focused on new sources of water to supplement traditional supplies. One of the most obvious alternative sources is desalination. The up side is that there is water, water everywhere – the oceans are full of it - and desalination is a technological reality with desalination plants being built in greater numbers right around the globe.



But it's not all good and plain sailing. De-salting water is expensive. The cost is high because this is a very energy-intensive process. That means that as energy costs continue to rise, so will the cost of desalting the water. And of course there are all the implications to climate issues by introducing many large energy-intensive desalination plants.

Another issue is that by taking sea water and producing fresh water, you are going to get a stream of fresh water, which is what you want, but you also produce a concentrated salt stream.

High salinity and temperature fluctuations in the discharge water may kill organisms near the outlet. Changes in salinity and/or temperature may affect migration patterns of fish along the coast.

Concerns about desalination plants also include that the intake process kills large number of aquatic life. A study of this impact in the USA from 1999 to 2000 reported an annual mortality of 55,000 invertebrates and 78,000 fish. More recent data, when available, is likely to shock.

It is important that communities where desalination plants are being considered insist on open, competent and thorough environmental analysis in the specific situations where plants are being proposed. These should include the implications of a large increase in energy usage, since desalination is highly energy-intensive.

For those of us in areas that don't yet have such challenges: What can we do now to avert or mitigate such extreme conditions while we still have more options? As an individual, do what you can to save and clean water. Stop using dangerous chemicals in your home and garden that damage our fresh and salt water resources - and directly threaten your own health. Minimise water use, including using products that reduce water usage in your garden and home. For the health of your family, filter the water you drink and shower and bath in. That also results in cleaner water coming out of your house and going into the greater environment. Everything we do contributes to the health, or deterioration of health, of Mother Earth. 🐻

## Is that Santa on your roof?

**Businesses are urged to be security conscious over the holiday season. With offices in particular being closed for extended periods they present greater opportunities to be targeted by thieves.**

A spokesman for leading insurer CGU said an analysis of its claims data had revealed that businesses were particularly vulnerable at these times. It seems many of us don't heed the advice to take the simple steps necessary to prevent losses occurring in the first place.

For the record here they are:

- Install deadlocks and keyed window locks are the most simple and important security measures a business can take. Deadlocks and keyed window locks not only help stop thieves getting into your premises; they also help deter thieves from easily removing goods if they do break in.
- Install an alarm system. A system monitored off-site is considered the most effective.
- Don't leave tools or items out in the open that could be used to break in.
- Install perimeter lighting that covers vulnerable areas. Motion sensor lighting can be cost effective.
- Keep safes secure and out of public view (e.g. bolt your safe to the concrete floor). Keys and



combinations should also never be left on the premises outside of business hours.

- Keep an up-to-date record of stock lists, receipts etc. This will help if you ever need to lodge a claim, as it will help determine what has been stolen.
- Back-up computer records on a regular basis (daily is recommended) and keep a copy off-site.
- Security mark computer equipment.

While it is important to take sensible precautions against theft, it is equally important that businesses get the right insurance cover to meet their individual needs.

Perhaps it's time to reappraise your business insurance. A call to our office will get the ball rolling. 🐼

## Flood insurance. Essential for some

Insurance for loss or damage caused by flood, up until recent times, has not generally been available.

As Australia's population increases and as more and more land is taken up for housing, with the consequence that flooding has become more prevalent, governments and flood victims have become more vocal on the subject of the need for insurance against flood risks.



Currently both government and insurers are discussing and investigating all of the details surrounding the needs and possibilities of providing flood cover. However, the age old problem still exists – people above flood levels have no need for flood cover, and consequently don't want to pay for a risk which won't eventuate for them.

It may be some time before a satisfactory outcome is produced, in the meantime we think it very important that clients who may have a potential flood risk should satisfy themselves just exactly what that risk is – local councils have maps of flood prone areas and have information to offer. Armed with this information clients can determine with their broker what flood cover may be available for them and if in fact, there is a need to have it. 🐼

## Business Interruption cover. A survival lifeline (continued)

(from page 1) Again, for unspecified customers the amount would usually be 5% or 10% of gross profit but higher amounts could be negotiated for specific customers if necessary.

You must go back into business to trigger a Business Interruption payout so it is essential that you have adequate cover on your Buildings, Plant and Machinery and Stock to enable you to do so.

Your Business Interruption and property damage payout will be reduced if you under-insure and you don't need to wait until your next renewal review to effect appropriate cover or to make sure you have high enough sums insured. Please consider your position carefully and call our office for more information or advice on this crucial protection for your business. 🐱

## Your policy wording explains all

Insurance policies are complex contracts containing a myriad of conditions and exclusions and every insurer it seems uses different words, sentences and phrases in their policy wording documentation.

With every household and motor insurance policy purchased comes a booklet called a Product Disclosure Statement (PDS). Whilst all business related insurances have the terms of the contract with the insurer detailed in the Policy document that the insurer provides.

Granted, PDS booklets and Policy documents can be a dry old read but your understanding of the insurance cover you have purchased makes them essential reading. That sinking feeling in the pit of stomach is all too real when a claimable event occurs and you find out that you didn't have the cover you thought you had.

A recent Policy Wording Readership survey of 1006 Australian small businesses (defined as those with

less than 20 full-time employees) revealed that:

24% of clients always read the document  
11% never read  
26% only skimmed  
10% rarely read  
28% occasionally read

That suggests a whopping 75% of small business owners have no idea or next to no idea about what they are covered for under their business insurance policies. This huge margin of blissful ignorance by the small business sector is likely to be echoed at the domestic insurance level.

As with any contract, all the information is relevant and important and the best advice would be to read it from cover to cover. Go on, dig it out. Find a nice comfy chair, get yourself a cup of coffee (helps you stay awake) and find out where you stand.

Contact our office if you have any questions or need further guidance. 🐱

**Be sure ...before you insure!...ask your Council of Queensland Insurance Broker about...**

### COMMERCIAL AND RETAIL INSURANCE

- Business Property
- Business Interruption and Loss of Rent
- Liability, Money, Glass Breakage
- Burglary
- Machinery Breakdown
- Computer
- Goods in Transit
- Contractors Risk
- Motor
- Tax Audit

### LIABILITY

- Public Liability
- Products Liability
- Professional Indemnity
- Directors and Officers
- Employment Practices Liability

### PRIVATE AND DOMESTIC INSURANCE

- Home and Contents
- Car, Caravan, Boat and Trailer
- Travel

### INCOME PROTECTION INSURANCE

- Long Term Disability
- Sickness and Accident

### LIFE, SUPERANNUATION, PARTNERSHIP

- Mortgage Protection
- Key Man
- Term Life
- Superannuation



The CQIB represents over 50 Queensland firms employing nearly 400 staff

and placing \$400,000,000 in annual premiums. The CQIB charter is to maintain the level of professionalism of its members by the sharing of knowledge, information and ideas.

For more information visit [www.cqib.org.au](http://www.cqib.org.au)

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**wise**words ... on government

**Government is too big and too important to be left to the politicians.**

*Chester Bowles*

**The government consists of a gang of men and women exactly like you and me. They have, taking one with another, no special talent for the business of government; they have only a talent for getting and holding office.**

*HL Mencken*

**It is dangerous to be right when the government is wrong.**

*Voltaire*