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Seeking guidance: many SMEs are worried about the future

Back to brokers: more businesses value advice in troubled times

Increasing numbers of SME owners are turning to insurance brokers for expertise and guidance as many fear difficult economic conditions could lie ahead, a new report shows.

Vero's SME Insurance Index, which this year marks its 10th anniversary, reveals that 40% of respondents used a broker for their last insurance purchase, up from 35% last year.

What's more, 54% of direct customers are considering using a broker – and this figure has increased steadily since 2018 when just 34% were thinking about making the move.

Vero believes the trend is partly to do with the uncertain world we now find ourselves in thanks to the COVID-19 pandemic.

Many small businesses are worried about the future, with one in five saying they don't feel confident about their business prospects for the year ahead, and an economic downturn topping their concerns.

This could be sparking SME owners to search for additional support for their insurance needs.

But what the index also shows, is that seeking out a broker could be the best decision a small business ever made.

Brokers can help steer clients through the complex process of arranging the best insurance cover for a range of risks, giving peace of mind during difficult times.

What's more, we can keep you abreast of key industry and regulatory developments, and we're there to help come claims time should the worst happen.

This year's index shows the vast majority of broker clients are satisfied with their broker, with just 8% dissatisfied.

Satisfied clients like their brokers to carry out tasks such as providing in-depth analysis on their insurance options, checking up on business changes, giving information on changing requirements, and advocating on a client's behalf with insurance cover and claims.

Claims are an area where the broker's expertise and negotiating ability are particularly valued by clients. The index shows broker clients who've made a claim are much more satisfied with the claims process than their direct counterparts. This year 72% of broker clients were satisfied, compared with only 37% of direct customers.

Importantly, the most satisfied clients have collaborative relationships with their brokers. Some 51% of SMEs that have a collaborative relationship are highly satisfied with their broker, marking them a 9 or 10 out of 10. But the corresponding figure for those with minimal interaction is just 24%.

That's why it's so important for us to keep in touch, and maintain two-way communication with you. You need to know about the latest industry trends and regulatory requirements, and we need to know what's happening within your business. Only then will we be able to get you the very best cover, at the very best price.

Never set and forget. Constantly review your business and insurance needs, and keep us in the loop. The more we can help you with advice and our specialist services, the more time you'll have to focus on what's really important: your business.

Deep trouble: going without flood cover puts your business at risk

Flood: are you prepared, and are you covered?

Weather forecasters were spot-on when they warned the flood-inducing La Nina climate pattern posed a key risk to parts of eastern Australia through the late summer and autumn.

The “little girl” – as La Nina literally means in Spanish – struck with ferocity when it arrived in March. Thousands were forced to evacuate as days of non-stop heavy rain inundated New South Wales and southeast Queensland.

As the recovery efforts continue – and they will take months to complete – one thing is becoming all too depressingly familiar: many of the affected businesses and households have no flood cover.

It has been nearly a decade since a standard definition of flood was adopted to assist insurers and consumers in the aftermath of the 2011 Brisbane floods. Yet confusion over the term and what it means for risk protection in the event of a flood continues to flummox the public at large, especially for those who reside in low-lying areas that are most prone to such disasters.

Automatic flood cover is now usually included in standard home insurance policies unless the customer chooses to opt out. For commercial policies flood cover is generally provided only if the insured opts for it.

Cost is usually the reason given by people who choose not to have flood cover. That’s all well and good if the day never comes when they need to make a claim. But the New South Wales/Queensland flood disaster has again demonstrated the risk of going without such protection.

The cost of reinstating a flood-damaged home or business will far exceed the cumulative cost of annual insurance premiums. And while the affordability of flood insurance is an issue, it should be recognised that the premium reflects the very high costs insurers face in returning a home or business to the state it was in before.

So what exactly is a flood cover and how does it protect you and your business?

The insurance industry defines flood as the “covering of normally dry land by water that has escaped or been released from the normal confines of any lake, or any river, creek or other natural watercourse, whether or not altered or modified; or any reservoir, canal, or dam”.

Even if a policy specifically excludes cover for flood damage, it will likely still cover for events such as storm damage or rainwater damage. So it’s vital that you understand fully what’s in the policy.

We hope that day never ever comes, but being prepared is the key to protecting your business and livelihood. Ignoring the flood threat isn’t the solution. Give us a call to discuss flood cover for your business. We can help you work out your best options for flood risk mitigation and cover.

Protecting your income will be key as support ends

With Australia's economy rebounding and confidence rising, it's easy to overlook the fact that many businesses are still struggling with repercussions from the COVID-19 restrictions and lockdowns.

Following a tough year, the Reserve Bank of Australia has declared the economic recovery is well underway and stronger than expected. The unemployment rate has declined and Commonwealth Bank Chief Executive Matt Comyn has even spoken of "miraculous" improvements.

But the momentum has been fuelled by billions of dollars in state and federal government spending and concerns remain that some parts of the economy may begin to wobble as programs fall away or wind back.

The $90 billion JobKeeper wage subsidy scheme, a critical support measure accessed by many firms to keep staff employed and their businesses ticking over, expired at the end of March. Some temporary insolvency relief measures have also come to an end.

The reduction in assistance has increased the risk that firms previously able to meet financial commitments may no longer be able to do so, and there could be cascading effects on the enterprises with which they engage.

Some analysts say government measures may have kept alive "zombie" firms that otherwise would have ceased trading, and there may in coming months be a surge in companies unable to pay their debts.

Which is where trade credit insurance comes into play. The cover ensures a business can protect itself against the risk of invoices not being paid by those customers facing challenging circumstances and unable to meet obligations.

While often discussed in the global context or for the top end of town, there are a number of trade credit policies designed for smaller firms that include a range of features to mitigate the risk of loss.

Some may provide protection in export or imports contexts, while others deal with local trading. They may require a firm to specify particular debtors, or provide a more general cover. Policies may be triggered by insolvency or a certain period of non-payment.

As with any insurance, it's important for businesses to undertake steps in the first instance to, as much as possible, reduce the risks. But taking out a trade credit policy can provide an extra element of protection and much-needed peace of mind.

The road to recovery is looking positive, but it's likely potholes still lie ahead. When it comes to navigating the way forward, we can provide invaluable advice on specialist areas such as trade credit cover.

Debt threat: trade credit cover can protect your business from unpaid bills

You did what? How to avoid payment redirection scams

Think first: requests to change payment details should be considered carefully

Paying bills and invoices is a regular day-to-day operation of any business and for the most part a straightforward task. Yet for a growing number of Australian firms, this simple transaction has unwittingly led to unfortunate losses.

Payment redirection scams cost local businesses $14 million last year, according to the Australian Competition and Consumer Commission, and average losses this year are trending more than five times higher.

That's just incidents reported to the commission's Scamwatch service, so total losses are obviously much higher.

Scammers impersonate a business or its employees via email and request that legitimately owed money is sent to a fraudulent account. A scammer might use a staff member's email address to send a customer "updated" bank details, which actually redirect payment to the scammer's bank account.

Also known as "business email compromise incidents", these scams affect many types of businesses, large and small.

Scammers have requested an employee's salary be paid into their own account, and impersonated a company president or treasurer, requesting staff to action payments for equipment or other business needs. Sometimes this involves "spoofing" – when scammers impersonate using a registered email address that is very similar to that of the genuine one.

Scammers tend to target new or junior employees, or even volunteers, and an increasing number of reports are coming from sports and community clubs which reported more than $55,000 in losses to such scams last year.

It can be difficult to recover money lost to a payment redirection scam, so prevention and preparation is vital.

We can help you explore ways to defend against this growing threat and ensure your cover needs are being met to avoid being left out of pocket and restore peace of mind.

For example, Social Engineering insurance can be added to a cyber policy, providing cover when malicious actors trick an individual into taking an action such as giving away sensitive information, making a transfer of company funds or making purchases on their behalf.

We strongly recommend the following procedures be observed to mitigate the likelihood of this type of loss, which has been known to create confusion that can strain long-standing business relationships.

Firstly, advise staff that they should not deviate from your organisation's payment procedure, even if the request they have received appears to come from a senior manager or even the CEO.

Whenever there is a request to change payment details, always check with the organisation using stored contact details rather than those in the requesting communication. Don't email – pick up the phone and call.

If a request creates a sense of urgency, avoid the temptation to rush. Instead, take the time to consider and check whether an email is real, including by looking carefully at the sender's email address, before acting on instructions.

Ensure staff are well trained in the company's payment processes and are awake to the risk and prevalence of payment redirection scams.

If you have been the victim of a scam, contact your bank as soon as possible.

These types of scams are growing in number and size, and even with these procedures in place you should consider the protection that insurance can provide. So feel free to give us a call to discuss your options.

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AFSL number: 238979

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Toll free: 1300 769 599
Bendigo: 03 5438 1666
Melbourne: 03 8643 4333
Brisbane: 07 3367 8318
Gold Coast: 07 3367 8318
Sydney: 02 9543 7599
Orange: 02 6361 7227

E: client.service@mhi.com.au | www.mccormickharris.com.au

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