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WINTER 2021 CLIENT NEWSLETTER

It's time to think about the risks you face

In the ups and downs of a COVID-affected economy, it's only natural if your business has experienced many changes. For some it has been a very difficult time with reduced turnover and income. Others have been fortunate enough to adapt to the challenges and carried on growing.

So have the risks your business carries changed too? Maybe it's time to consider a comprehensive insurance review and audit, to ensure you are adequately covered. For some SMEs, it may be that the business is trading less or has changed its methods, with the flow-on effect of lowering the risks.

Now is the time for every business to re-evaluate their insurance protection and make sure it offers the best fit for their unique operation.

The coronavirus has generated new types of risks, and it is vital to reassess insurance cover to be sure it is keeping up and not leaving unexpected exposures. It's not wise to just "set and forget", assume your policy has somehow kept up with the changes you've made to your business processes.

Sweeping changes to consumer and employee behaviour brought about by the pandemic also means your business may have new protection gaps. This has triggered the introduction of some new insurance policies that you should be aware of.

Working from home, for example, has opened new areas of liability. Cyber crime has seen an explosion in phishing and ransomware attacks that every business needs to take very seriously and meticulously prepare for.

Insurers recognise there have been widespread income reductions related to the pandemic and are placing an emphasis on the development of affordable solutions to fill protection gaps.

They are currently working in association with insurance brokers to design new commercial product packs, meaning we won't always need to source different policies for you.

Small business insurance products in particular are constantly being adapted to add new benefits. Savvy business owners can take advantage of this to secure some additional coverage automatically just by making a simple switch.

Australia's SME business owners should familiarise themselves with the latest offerings and these revised and new products. Unfortunately, many who try and navigate the plenitude of cover themselves may well be exposing themselves to another type of risk – coverage that doesn't totally meet the risks they face.

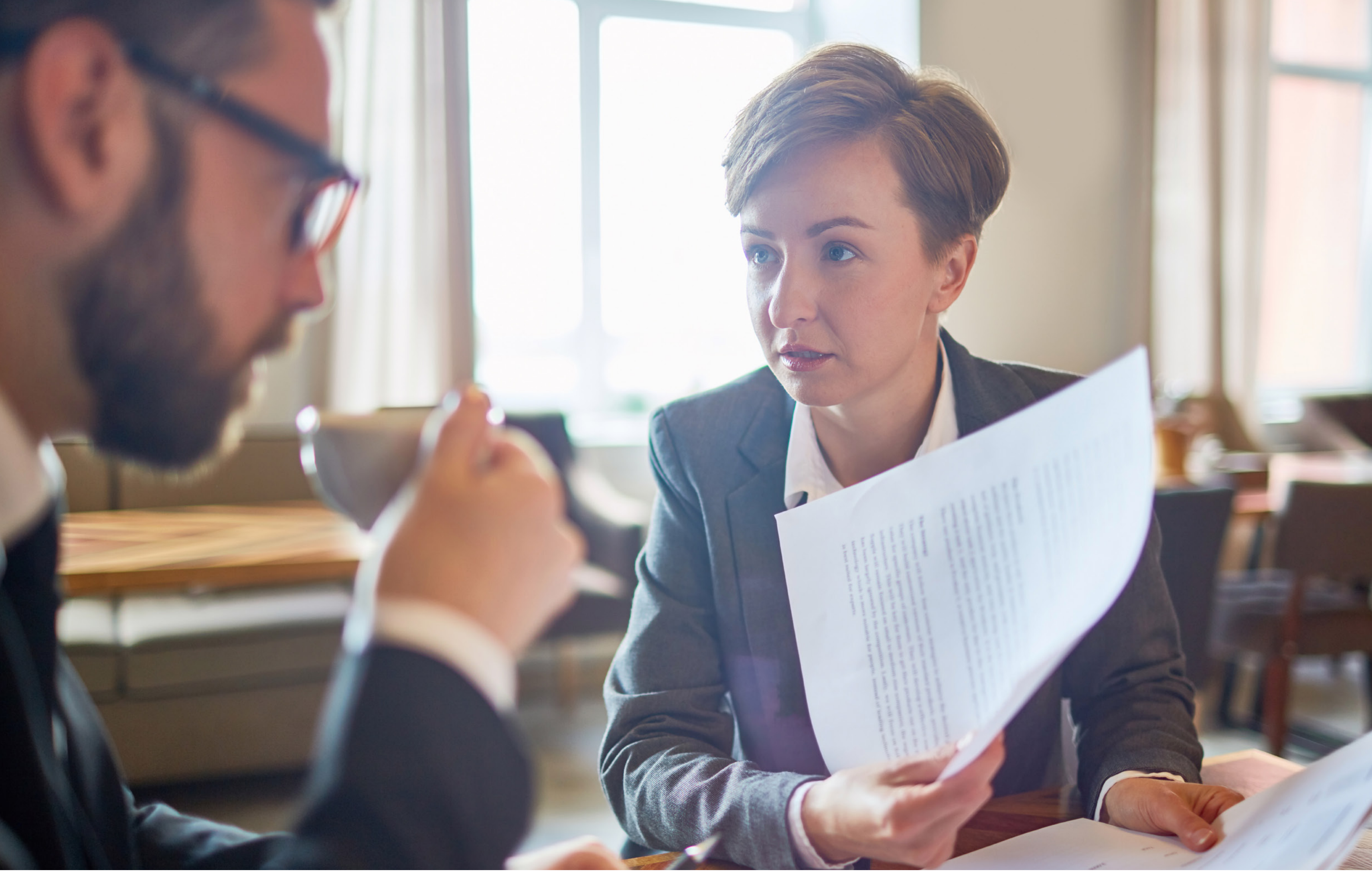
For example, you should consider or re-evaluate products as wide-ranging as Business Interruption, Cyber Liability, Professional Indemnity, Farm, Commercial Vehicle, Public & Products Liability, Personal Insurance, Workers' Compensation, Management Liability, Transit and Business Travel – all that and more!

We work on your behalf and help negotiate your path through each risk to extract the best value for the best cover. Getting the deal that fits your needs, at the right price is why an increasing number of SME businesses have turned to brokers for expert assistance.

We understand the available coverage in detail and can advise you on the type of insurance you need so you can rest easy knowing you're protected against catastrophic loss.

If you have built your business from nothing and worked hard to grow its value, you should protect that value. So take a little time now to protect all that effort and capital by considering the types of risk you face, and the consequences of not carrying adequate insurance.

Then give us a call and we'll help you through the risk evaluation, as well as the policy selection and premium negotiation processes.



Be honest: insurers may refuse to pay if relevant information is withheld

Full disclosure remains vital

The duty of disclosure in insurance contracts is something that causes everyone a few moments of worry as they fill in an insurance application. That's why government reforms are being introduced to add more balance to the rule.

But the new reforms to be introduced in October only apply to consumer insurance contracts – not commercial insurance.

So for small business insurance the duty of disclosure will stay, and it remains crucial for all SME owners to understand. Because the consequences of not answering questions honestly, or not updating insurers when circumstances change, have the potential to be devastating.

Section 21 of the Insurance Contracts Act requires that insurance-buyers disclose matters that they know, or that a "reasonable person" could be expected to know, would be relevant to an insurer's decision to insure the risk.

The upcoming reforms recommended by the Hayne royal commission will change the duty of disclosure to a duty to take "reasonable care" not to make a misrepresentation – but as previously mentioned that's only for consumer insurance contracts.

With business insurance, nothing changes – if you don't disclose all relevant information, then the insurer may decline or reduce a claim, depending on whether the lack of disclosure had any impact on the cover that was offered.

If the non-disclosure was fraudulent, then the contract can be made void.

Given that the whole point of insurance is to provide peace of mind that you'll be able to make a successful claim if disaster strikes, there really is no point in withholding information.

If you do, you could be paying for worthless cover, and worse still be left open to financial ruin should the worst happen.

It's better to be upfront, and if an insurer won't cover you as a result of your disclosure, it's our job to find you alternative cover with another insurer or take action to mitigate the issue that's causing a problem.

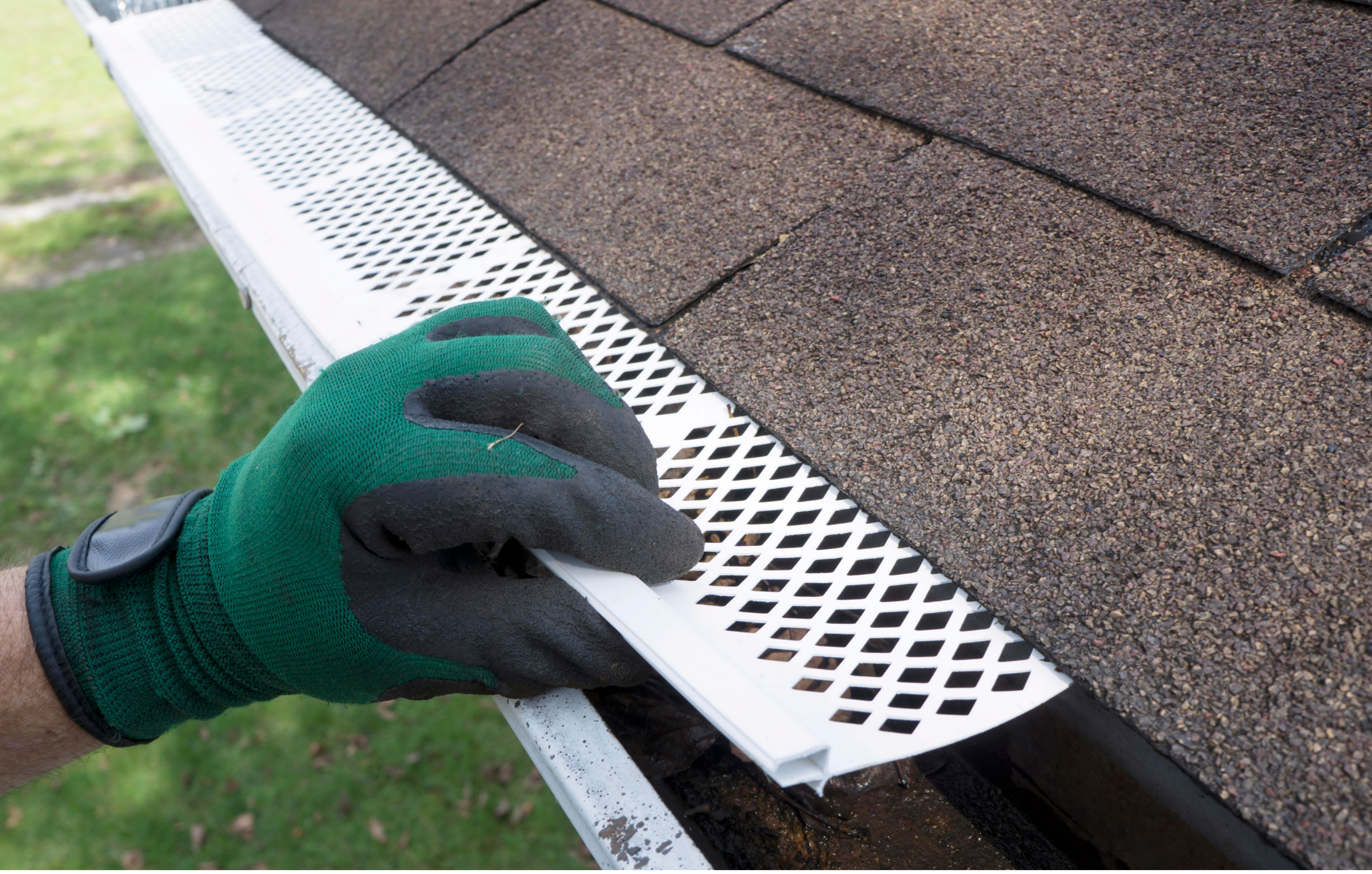
Common examples of non-disclosure are around criminal, credit, disciplinary, or claims history, pre-existing property damage, or the operational details of your business.

So if you're asked a question when detailing your risks, answer it honestly. And if there's something that you think could affect the likelihood of you making a claim, we're here to help you.

It's also important to tell us when anything significant in your business changes – let us know immediately. The insurer needs to be made aware of changes that may alter your company's risk profile, and we will work with you to guide any changes through the process.

We can help you understand what's important to disclose and what the impact could be.

We'll also help get the best cover for your business – cover that will respond when you need it to. If you don't tell us everything the insurer needs to know, we can't help you totally protect your business.



Reducing risk: there are many ways to strengthen your property

Here's how to improve your property's resilience

Winter is with us, and while we may assume extreme weather events primarily happen in summer, that's not really wise.

For example, just days into the winter season parts of regional Victoria were impacted by significant storms and flooding, the result of an icy Antarctic blast that swept across the state.

The floods were declared an insurance catastrophe and insurers received more than 6500 claims. The floods were yet again another reminder to us all that Mother Nature doesn't take the winter off.

As an SME operator or sole trader, you probably know by heart the list of measures you've been advised time and again to take up to protect your businesses and livelihoods from a natural disaster.

There's more to the list now that can help you mitigate the potential damage from future calamities, thanks to a building resilience project by Suncorp called One House.

One House is a prototype home that is resistant to fire, flood and cylones. In short, it's been designed to withstand and survive catastrophic weather conditions that impact homes and businesses across Australia in any season.

The result of a collaboration with national science agency CSIRO and disaster resilience experts, the prototype offers many practical ideas that could work for commercial buildings as well.

So if you're thinking of renovating your existing premises or building a new one, make building safety and resilience a priority.

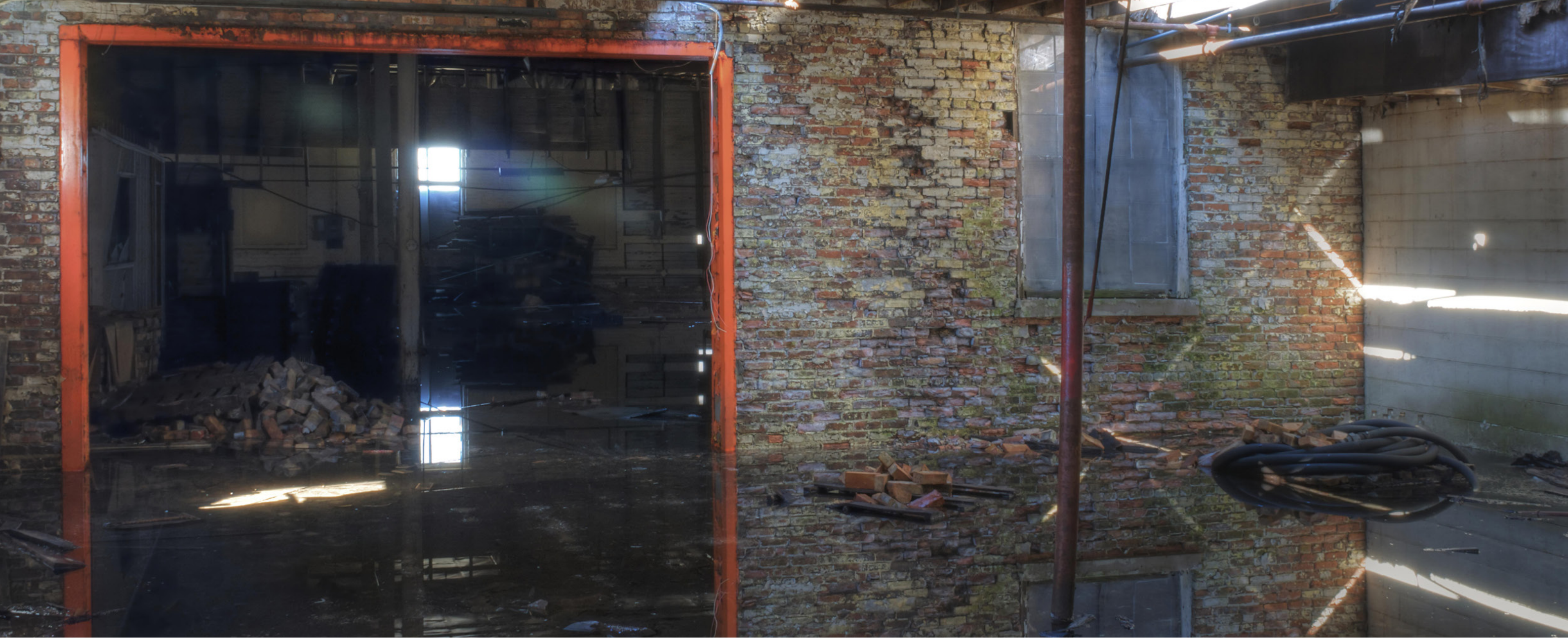
Here's what you can consider from the One House blueprint for existing premises:

- Install fixed and operable high-performance mesh screens to slow down flame spread during a bushfire
- Consider cyclone-rated roof fixings that are less likely to fail during extreme weather events with strong winds
- PVC plastic gutter fixings melt in the event of a fire, which is actually a good thing. The gutters become 'sacrificial' and safely fall away from the premises, helping to protect the premises from embers and reducing the likelihood of embers entering any gutter-fed water supply.

For new builds, the prototype contains examples of safeguarding against extreme weather such as:

- Installing electrical wiring in the roof to prevent loss of power during a flood
- Installing power points and switches at least one metre above floor level to reduce the risk of electrical issues during flooding
- Installing glazed windows and doors – which prevent water from entering the building and evenly distribute heat load over the glass, helping to prevent cracking
- Using internal wall linings that are waterproof.

Extreme weather events are getting worse, which experts say is brought on by our changing climate. So get in touch with us and let us work with you to improve the resilience of your property against future disasters.



Don't cut cover: saving money on premiums could cost much more at claim time

Hidden traps: underinsurance pitfalls aren't always obvious

After cyclones, floods and other natural catastrophes, concerns often focus on businesses and residents that either don't have insurance or have cover well below the levels needed to repair the damage.

There are many potential reasons for this in a difficult insurance market, including conscious decisions by the client to accept more risk or to avoid the expense of covering something offered as an option, such as flood.

But many businesses risk leaving themselves open to underinsurance by simply not realising how decisions taken to save some dollars on premiums can have much larger consequences.

As SMEs expand and diversify their operations underinsurance can occur when policies are not updated to reflect the new circumstances. Community and regulatory changes can also have an impact.

For example equipment may have been purchased in a growth phase or plant upgraded. Stricter construction standards in cyclone and bushfire-prone regions may have increased building expenses, and previous sums insured may be insufficient.

The Insurance Council of Australia says best practice suggests a property is underinsured if a policy covers 90% or less of the rebuilding costs.

A less well-known pitfall occurs when a business calculates that premiums can be lowered with limited downside by taking out insurance for a sum that is less than the true value of the property being covered.

In those cases, policyholders often expect a deliberately underinsured total sum will still provide full cover for any partial damage or lesser impacts that may be more likely to happen.

But that's not always how it works. Many insurance contracts have average or co-insurance clauses that proportionately reduce the sum paid out for partial damage, reflecting the degree of underinsurance that has been applied for the total value.

If only one room of a building is damaged and the contents of that room destroyed, an underinsurance adjustment would mean only part of the recovery cost would be paid out after the claim.

Often the clause will apply if total values declared are less than 80-85% of full replacement, providing a margin for some normal fluctuations and errors before the equation takes effect.

The clauses highlight the importance of having correct valuations for insurance purposes and the financial risks triggered by decisions to take out cover for less than the full value.

Large-scale natural disasters often highlight underinsurance problems, but the issue is widespread and tends to fly under the radar for isolated and partial damage claims. Often it emerges when a property fire breaks out, perhaps due to electrical faults or after café or restaurant kitchen accidents.

It can be devastating at those times to realise the payout you expected isn't in place. So please, discuss the underinsurance pitfalls with us so you're aware of the potential risks.

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