



McCormick Harris

INSURANCE

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CLIENT NEWSLETTER

Why cutting cover is a ‘non-negotiable’ in inflationary times

The cost of everything is going up. Australians are paying more for iceberg lettuce, petrol, electricity and just about every daily necessity, and with inflation tipped to hit 7% by this coming summer, many have already started on a belt tightening exercise.

Small business owners like yourself are no doubt going through the budget too, carefully reviewing every item in the expense column to see what savings can be found as you look to tide through this period.

But if the thought of crossing out insurance did cross your mind, hold it back. It could be a very short-sighted decision that may well compromise your business should you need to make a claim one day.

It's tempting to view insurance as an easy target for savings when times are rough and when nobody knows how long prices are going to stay this high. But have you thought about why you have insurance for your business? It's to protect your livelihood if an unforeseen event was to strike. We hope it never happens but what if it does?

Let's say you need to repair your equipment and premises

because of an accidental fire. Your business cashflow is affected and, worse still, the repairs are expensive and taking a long time because of the ongoing supply parts shortages.

If your business is insured, chances are you will be covered for the fire damage, and that's a huge relief as you know you will not have to dig into your financial resources to put your business back on track. And instead of worrying about how you're going to pay for the repairs, you can look forward to restarting your business and welcoming back your customers.

Of course the opposite may well be the case if you had gone ahead to cancel your insurance. So as your risk adviser we will say "bury that idea" if you did think for a moment that you can do without insurance for your business.

Insurance is critical and essential. If you are struggling to pay your premium, talk to us to see what can be done. We work for you, not the insurer, so we have a duty to work with you to find the best solutions for you and your business.

The right advice is what your business needs when times are tough.



Uncertain future: but cutting insurance isn't the answer



Spreading problem: mould usually isn't covered by insurance

Mould and what to do about it

The recent devastating floods and generally damp weather have led to a spate of mould outbreaks along the east coast of Australia, and it's worth knowing what you can do about it.

Australian Apartment Advocacy (AAA) says it is receiving hundreds of calls related to mould, and the level of the problem in southeast Queensland is "almost unheard of".

But the truth is mould can strike anywhere – your home or your business – when conditions are conducive. If ignored, mould can cause serious damage to property, as well as health concerns for employees or customers.

And unfortunately, insurers usually aren't going to pay to remediate your property. It's one of those issues where the industry sees damage as preventable, so it's excluded from the bulk of policies.

The exception, of course, is when mould follows an insurable event such as flood, cyclone or storm.

In those circumstances your insurer may well be able to help, but as always it will depend on your level of cover and policy wording.

Otherwise, it's on you to prevent mould developing and to tackle it swiftly when you spot it. Prevention is always better, and cheaper, than the cure.

Good practice includes airing-out affected rooms by opening

windows, using mould removal products to wipe surfaces, and making sure there are no water leaks caused by damaged pipes, inadequate gutters or poor drainage.

Property owners should also be on the lookout for structural issues such as rising damp, and dehumidifiers are sometimes a good option.

AAA says that mould doesn't go away on its own, and if left to spread it can cause serious complications.

"Mould if untreated can cause health problems such as allergic reactions and asthma difficulties."

Where mould is covered by your policy, insurers say an outbreak can significantly add to the complexity of a claim and stretched claims timelines.

As ever, it's best to know what you're covered for, and what you're not, in advance of a problem occurring.

That way you can be prepared for what's coming, and take steps to prevent problems developing in the first place.

And that's where we come in. Talk to us about how your insurance policies respond to mould, and how to stop it becoming a serious headache for you and your business.

Everything fine? Reassess to avoid complacency traps

When a business is travelling well it can be difficult to contemplate everything that might go wrong, or to even think about left-field events that could turn fortunes upside down.

“Optimism bias” can play a role, with people often wanting to believe that problems which have affected rivals and other businesses, or disasters that have hit elsewhere in the country, are unlikely in their circumstances.

The psychological tendency to look on the bright side was explored 40 years ago in a US study that found college students believed their chances of experiencing negative events, such as developing a drinking problem or getting divorced, were lower than their peers, while believing their chances of positive outcomes, such as owning a home or living into old age, were higher.

Data recently released as a bonus chapter from the Vero SME Insurance Index finds that the majority of SMEs consider themselves either “partially covered” or “mostly covered” by their policies. But those findings suggest an acceptance of some risk, and survey responses also reveal a high degree of complacency.

More than a third of the SME respondents to the survey indicated they didn’t have a plan if the worst was to happen, 34% didn’t believe their business would incur losses that would cause a problem and 30% simply hadn’t thought about it and were prepared to cross that bridge when they had to.

Those who have considered a negative scenario, in circumstances where they know they aren’t completely uncovered, are gambling with some dire consequences.

Options might include cutting operational costs, such as changing full-time work to part-time, or selling some assets,

but also extend to temporary closures, shutting down completely or selling the business.

The index canvasses the views of SMEs that purchase most of their insurance through brokers, those who buy direct and businesses that acquire some of their policies with advice and some without.

Broker clients are more likely to have the benefit of complete cover from their insurance, and if they are shouldering part of the risk themselves are more likely to have a plan for how they will respond to negative events.

The difference becomes more pronounced when looking at SMEs that buy more than 90% of their insurance through a broker.

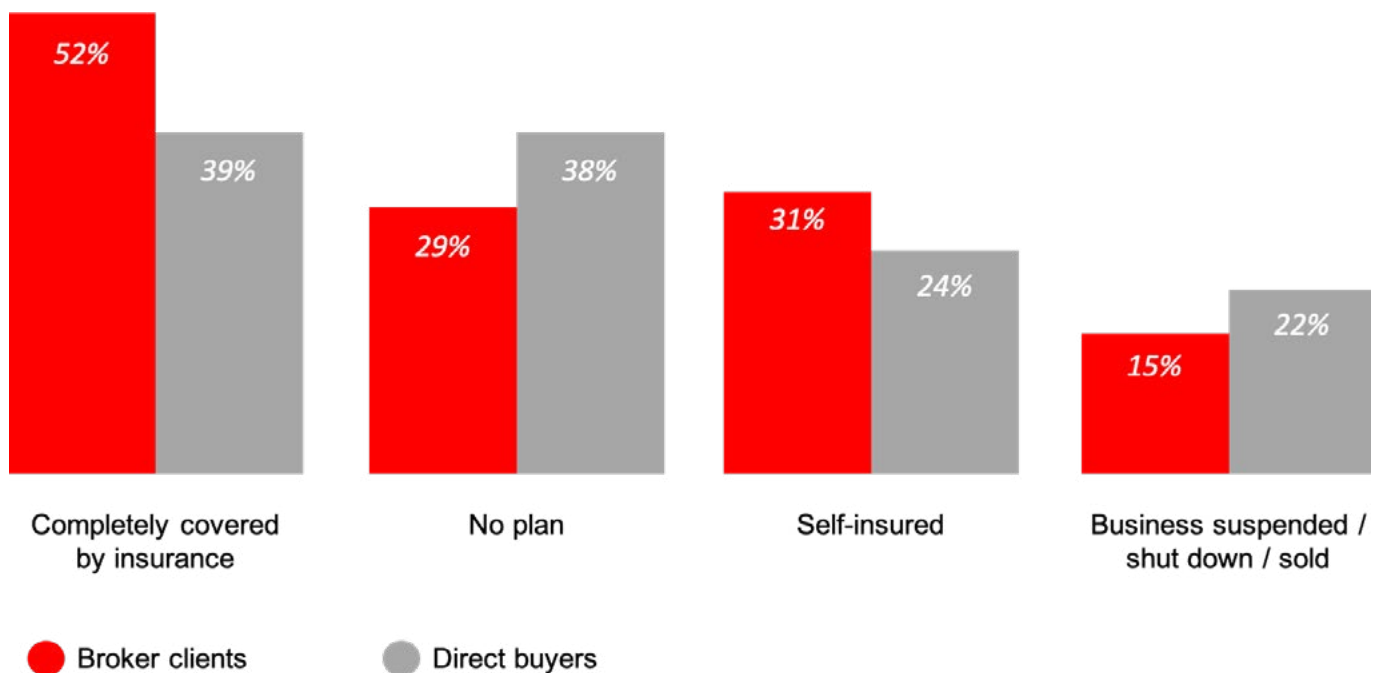
The data shows 60% of consistent broker users believe they are completely covered, compared to 42% of light or moderate broker users.

At the same time, SMEs that mostly use a broker are more likely to have a plan for major negative incidents.

The figures illustrate the value in using a broker for all insurance so the adviser has greater visibility of the SME’s overall risk profile.

Hoping for the best or taking a passive approach to potential risks has long proven a pathway fraught with danger. Talking with an expert offers a better way forward.

There’s no value in just hoping for the best – give us a call and we’ll show you how we can help you confront your business risks and deal with them.



Plan for negative scenario compared across main purchase channel
Credit: Vero SME Insurance Index



You can't ignore cybercrime any more

The road to hell is paved with good intentions, and unfortunately the pathway to fool-proofing your business against a growing army of professional cyber criminals may well be too – unless Australian managers wake up to this very real danger and act on their “cyber hygiene” to-do lists.

If you've been meaning to introduce cyber safety measures – like appointing a password manager – but haven't yet, you're far from alone.

New research shows a worrying inertia at SMEs to take action to address this serious and growing threat.

Businesses with turnover under \$10 million a year in particular are largely ignoring cyber risk, Cameron Research says, adopting a head-in-the-sand attitude even as attacks escalate and rapid adoption of technology leaves them exposed.

The research company's founder Ross Cameron says that as SMEs embraced “seven years of tech change and innovation” in just two years due to covid, cyber risk management has dramatically failed to keep up. That's especially the case at the SME end of town, which makes up the bulk of employers in Australia. (Almost 98% of businesses have 19 employees or less).

Many SMEs assume suppliers of services such as Google, banks and Xero have taken care of the issue, but this is often not the case.

Yes, cyber issues can be overwhelming. No longer confined to local robbers in balaclavas, business is now exposed to organised gangs of global cyber criminals in what has been described as a “lucrative cottage industry”.

One training sole trader admits, “I've done nothing” and “we should change all our passwords and spend some time on

internet security but we haven't,” while another simply says: “I don't even know where to start.”

But insurers are exasperated that easy to hack choices like passwords or the company name are still favoured access points, and simple mitigation efforts are too often overlooked. Now they're insisting companies seeking cyber cover jump through a series of hoops before they will offer cover.

As a business owner or manager there's quite a lot you can do yourself to limit your cyber exposures. There's a lot of “low-hanging fruit” – cheap and easy measures – small businesses can introduce as a starting point. For example, implementing a virtual private network (VPN) to control access to data – especially for remote workers – or securing the cloud with authorisation.

Multifactor authentication, encrypted and tested backups, privileged access management and protection of end-of-life systems are other widely urged measures that you can undertake yourself. And remember that your willingness to actively address your company's cyber exposures makes you a more attractive risk for insurers to take on.

Bearing that reality in mind, remember that apart from presenting your case to cautious insurance underwriters we can also help you find more ways to thwart the cyber crooks.

The US Government recently warned that more frequent cyber attacks are the “new normal” for companies and individuals. It's the same with Australia.

Mr Cameron says “the broker can really be a forward thinker and leader – really open the business owner's eyes to something they are probably in denial of having to address”.

We'll be happy to show you what he means. Just give us a call.



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