



McCormick Harris

INSURANCE

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CLIENT NEWSLETTER

Regular insurance reviews benefit your business

According to the latest Vero SME Insurance Index – an annual examination of Australia's SME sector – nearly half (47%) of the businesses surveyed said they intended to modify their policies due to inflation and increasing supply costs. However, the report also highlighted the fact that such changes could significantly increase the chances of underinsurance, which is a critical issue that can have severe financial consequences for policyholders.

Underinsurance typically stems from a failure to adjust the values of the items insured. Accurate valuations are essential – a fact that will be confirmed when a claim is made and your up-to-date information makes things so much easier.

Just filling in the same values year on year can result in inadequate coverage, leaving you vulnerable in the event of a claim. Whether the claim is for the cost of a repair or total loss, an insurer may choose to only pay a proportionate amount. So if the value of the asset is, say, 20% higher than the amount you have it covered for, you may find the claim payout will be correspondingly 20% lower.

Circumstances change or evolve, risks transform and new considerations arise. To maintain an adequate level of protection, it's essential to regularly reassess the terms of your policies and the value of your assets. By considering various factors during the reassessment process, you can make well-informed decisions about their coverage and policy terms, ensuring they align with their evolving requirements. Here's a few examples:

- **Changes in property or asset values:** The values of properties and assets can vary over time, and as such you need to reassess coverage limits to ensure their alignment with the present value of your business assets.
- **Evolving risk exposures:** Businesses are subject to evolving risks influenced by factors

like industry landscape shifts, technological advancements, and economic fluctuations. Reassessing policy terms enables the identification of emerging risks and facilitates the sourcing of tailored coverage to effectively mitigate them.

- **Rebuilding costs and supply constraints:** Rising construction costs and supply constraints have significantly impacted the cost of rebuilding or replacing properties. These factors must be considered when reassessing the sum insured so the policy will adequately cover realistic rebuilding costs.

Insurance policies can be complex, with intricate terms and conditions. As such, thoroughly reviewing them is crucial. Without careful examination, gaps in coverage may emerge, leaving policyholders vulnerable to financial losses. Conversely, overlapping coverage can result in unnecessary costs. Through comprehensive policy reviews, these gaps

and overlaps can be identified and addressed, ensuring comprehensive and cost-effective coverage.

By considering your unique needs and circumstances, a policy review can identify areas where additional coverage may be necessary or where existing coverage can be optimised. Additionally, opportunities for cost savings and even new business opportunities can come to light. The review process may involve negotiating lower premiums with insurers, uncovering potential discounts or incentives, or streamlining coverage to eliminate unnecessary or duplicated elements.

As your broker, we're your partner in all this. We continuously review your policies to ensure you are adequately covered. You can help us keep your business secure by letting us know if your circumstances have changed. Don't hesitate to contact us so we can help you stay fully covered.

Keep talking: avoid underinsurance by regularly reassessing coverage



Be prepared: key strategies for crisis management and business continuity

SME businesses operate in an unpredictable economic landscape, where the threats to companies' viability can seemingly emerge from nowhere – and often for no discernible reason.

To survive and thrive, your business needs to be prepared for potential crises that could disrupt operations or even threaten survival.

According to a KPMG survey the top concerns for businesses in 2023 are primarily around increasing digitisation; talent acquisition, retention and upskilling to meet the demands of an increasingly digitised future. Extracting maximum value from digitisation and managing cyber risks are all key challenges in today's business environment. Navigating evolving regulatory processes as well as reporting operational changes and their impacts are also a concern for business leaders.

These challenges collectively underline the importance of taking proactive measures and having strategic initiatives in place to safeguard your business in the event of a crisis.

A crisis has to be considered as anything that threatens your company, be it a defective product, critical publicity or the actions of a third party.

The first step in crisis management is identifying potential risk scenarios that are relevant to your industry, as well as assessing the specific risks and vulnerabilities faced by your business. These could include issues around digitisation, cyber-attacks and regulatory changes, and also natural disasters, supply chain disruptions or economic downturns.

By identifying these scenarios early on and understanding the potential impact they could have on your operations, reputation and financial stability, you can proactively develop strategies to mitigate their impact.

Your crisis management plan should outline the steps to be taken before, during, and after a crisis occurs. Ensure roles and responsibilities are assigned to key personnel, communication protocols are established and contingency plans created to address each potential crisis.

Additionally, business continuity measures should be implemented to ensure essential functions can continue despite any disruption. This may involve establishing remote work capabilities, data backup and recovery plans and supply chain alternatives.

Financial preparedness is also key to being prepared. Assess your current insurance coverage to determine if it adequately addresses the specific risks associated with potential crises. Consider business interruption insurance, which provides coverage for income loss during disruptions, as well as insurance for property damage, liability, and cyber risks. We can work with you to find the most appropriate cover options for your business, as well as reviewing your current coverage to identify any gaps or limitations.

By implementing crisis management and business continuity strategies, you can enhance your ability to navigate turbulent times. Remember, crisis management is an ongoing process that requires continuous evaluation, preparedness and adaptation so you effectively respond to evolving challenges.



Navigating rising costs: some effective strategies for SMEs

Managing costs is a critical aspect of running a successful business, particularly in the current environment where costs for materials, labour, overheads and distribution are all on the rise.

By implementing effective cost management strategies, our SME clients can optimise their financial resources, improve profitability and enhance overall business performance.

To effectively manage costs it's essential to first identify and understand the factors that drive expenses within your business.

By analysing your cost structure and identifying the main cost drivers, you can prioritise areas for cost reduction efforts and make more informed business decisions.

Boosting your company's operational efficiencies is another key way to reducing expenditure.

Identifying processes and workflows that can be streamlined or automated means labour costs can be reduced and productivity improved.

Technology can help too. Implementing technology solutions such as cloud-based software, project management tools or inventory management systems can also be an effective way to streamline operations.

Business owners should also consider their variable and fixed costs when looking for cost-saving opportunities. Variable costs fluctuate with changes in production or sales volume, while fixed costs remain relatively constant regardless of business activity.

Regularly monitoring variable costs is advisable so that business owners can identify the underlying opportunities.

For example, negotiating favourable pricing with suppliers, exploring bulk purchasing options or considering alternative sourcing methods are all powerful ways to address rising prices.

Fixed costs should be reviewed periodically to ensure they are aligned with business needs and cost-saving measures can be explored, such as renegotiating leases or exploring energy-efficient solutions.

Managing financial risk is another integral cost management technique.

Unexpected events, such as natural disasters, lawsuits or cyber-attacks can have severe financial implications for businesses.

These risks can be mitigated by investing in appropriate insurance coverage. That's where we come in.

We can assess your specific risk profile and identify the most appropriate coverage options.

And we can recommend risk management practices that can be implemented to identify and mitigate potential risks, which will reduce the likelihood of costly incidents damaging your livelihood.

If SME business owners can gain better control over their expenses, optimise operational efficiency and reduce financial risk, they'll sleep better at night and plan growth with much more confidence.

Effective cost management is a continuous process.

It requires diligence and proactive decision-making to drive long-term business success.

We're here to listen, advise and act, so give us a call anytime.

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Why you should consider business interruption insurance

Unforeseen events can occur at any time, disrupting the smooth operation of your company. Whether it's a natural disaster, a fire or a global pandemic, these unexpected events can have a profound impact on your financial stability.

Business interruption insurance can play a vital role in safeguarding your business against the financial consequences of such disruptions.

It provides coverage for the income lost during the period when your business is unable to operate due to covered events. Business interruption insurance is designed to help you recover and resume your normal business operations as quickly as possible.

A typical policy covers three main areas: lost profits, fixed expenses and temporary relocation expenses.

To ensure that you have the right

coverage in place, it's essential to assess the specific business interruption risks your company faces. Start by identifying what these are likely to be. These could include natural disasters like floods or earthquakes, fires, power outages or supply chain disruptions.

Having assessed the potential impact of these risks, consider the duration of the interruption and the financial consequences they could have on your operations.

Next, talk to us to help determine the necessary coverage. We can help you understand the policy options available

and tailor coverage to your specific needs.

Finally, as we often say, you should continually reassess your coverage to ensure it works for you the way it should when you have a claim. As your business evolves your risks may have changed.

Business interruption insurance is a crucial component of a comprehensive risk management strategy. By understanding its significance, assessing your specific risks, and obtaining the right coverage, you can safeguard your financial stability and ensure the resilience of your business during unforeseen events.

Two more things to always remember: it's always better to be prepared and protected than to face the financial consequences of an unexpected interruption; and we can help you achieve that.



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