



# Brokerwise

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## Cyber Crime

### COMING SOON... TO A COMPUTER NEAR YOU

Many of us in the modern day business world do not pretend to fully understand the workings of computers; rather, we just embrace the technology and receive

the benefits that information technology brings to our success. Needless to say, there wouldn't be that many businesses these days that could operate effectively without computers. Especially as customer information is crucial to most organisations and vital to our being able to deliver on the services we provide.

So while we place our trust in the continuing Information Technology wave and the equipment needed to help with the growth and running of our businesses, behind the scenes, computer hardware and software companies worldwide are engaged in a constant battle against evermore sophisticated cyber criminals trying to steal valuable data. As with any battle there are casualties and that means businesses of all shapes and sizes are caught in the crossfire and end up bearing the cost.

Traditional Commercial Property and Liability insurances contain cyber exclusion clauses which mean that the cost of downtime to

your business or liability to others caused by data corruption or cyber crime will not be met.

There is much discussion in government surrounding changes to the current data protection legislation and if we follow the likely lead of the USA then individual companies will be more accountable for breaches in data that they hold. If major banks and government offices can be breached then what chance do the rest of us have if targeted by the cyber criminal?

Specialist cyber insurance cover is available to protect your business against the costs of downtime, data restoration and for breaches of your statutory obligations towards customer's data that you hold as a consequence of cyber attack. ■



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## CQIB Convention 2009

### THANKS TO CQIB MEMBERS AND SPONSORS

This year's venue for the Council of Queensland Insurance Brokers (CQIB) 17th Annual Convention held over the May Day long weekend was Tangalooma Resort on Moreton Island.

Over 400 delegates who ferried over enjoyed a series of

informative presentations geared to improve the knowledge and expertise of broker members.

The CQIB's adopted charity, Royal Children's Hospital Foundation, was the destination for the \$57,000 raised in donations from delegates at the event. If you'd like to help this truly worthy 'kids hospital' cause, go here first:

[www.cqib.org.au](http://www.cqib.org.au)

...and follow the links. ■



## Company Directors at risk

### DIRECTORS AND OFFICERS INSURANCE

It is widely believed that the current financial crisis will lead to an increasingly litigious environment. This has already been very much evidenced at the 'top end of town' by the number of class actions that have been and are being brought against companies. But all Directors of all businesses need appropriate protection due to the array of litigation they could potentially face on a personal level.

Directors and Officers of any Company are personally liable for everything they do in their capacity as a Director or Executive Officer of the Company. The limitation of liability enjoyed by a company does not extend to its Directors.

To make matters worse, Section 241 of the Corporations Law limits the ability of a Company to indemnify its Directors and Officers against these liabilities until after an individual has successfully defended a claim.

Directors should also be aware that they are jointly liable for the acts of fellow Directors and that the courts have placed onerous conditions on the ability to avoid joint liability.

There are many parties who, under certain circumstances, may take action against Directors and Officers of a Company. These include; shareholders, employees, creditors, clients/customers, parties to commercial transactions, government and regulatory authorities and the general public. Liability for such actions can arise at common law or from statutory provisions,

the applicability of which varies amongst the parties mentioned.

The current environment also places additional pressures on Directors and many individuals are very concerned about their personal exposures. Insolvency practitioners can and do lodge claims against Directors alleging that companies had continued trading whilst they were in fact insolvent. The current business climate and attendant risks dictate the essential nature of appropriate insurance protection for company directors and officers.

The realisation of all of the above is having the effect of increasing premiums in this class of business and now is an opportune and important time for directors to review their current arrangements through the advice of their insurance broker. ■

## Care and Maintenance – your responsibility

### MAINTENANCE VERSUS LOSS

The requirement to take reasonable care to protect and maintain your property is contained in all household and commercial policies and extends also to your duty to protect against accident or injury to people. As such, your insurance company may not pay for loss, damage, liability or injury if poor

maintenance or lack of reasonable care by you the insured is deemed the cause.

#### Water damage

A common area for disputes between claimants and insurers for damage to property is that of water damage. If, on assessment of the damage, it is noticed that the extent of the water damage could not have been caused by one single event and that gradual seepage has been occurring for some time due to loose or missing roof tiles or a knowingly leaking apparatus, then your insurer can reduce the amount of your claim.

#### Storm damage

Insurers will pay for the removal of those parts of a fallen tree that have damaged your property, but not those remaining parts or others that following a storm might now pose a threat. If you are worried about old overhanging trees and precarious branches affecting your property then you should contact a tree specialist to have them attended to.

#### Machinery breakdown

This is another area of regular contention. Again, for the simple reason that any loss must be sudden and unforeseen and result in the failure of the item to perform its normal function. Expendable items such as belts, fuses, heating elements, wear plates and cutting tools are not covered by your breakdown policy. Every breakdown policy is slightly different and may contain optional extensions for food spoilage and other types of consequential loss so be sure to discuss your policy with your broker to be clear on what you can expect from it.

A policy for machinery breakdown should not be considered as a replacement for a machinery maintenance program but should complement it and cover your expenses from unforeseen breakdowns that occur outside of normal scheduled maintenance. ■





# Underinsurance and the Victorian Bushfires

## DIRE EFFECTS OF UNDERINSURANCE

Five months on from Australia's worst bushfire event, the suffering of those affected continues. The physical pain of injury and loss may be starting to ease but the financial pain continues for most and will continue perhaps for years to come.

Fire victim survivors face the inevitable red tape and logistical issues of limited re-building resources to cope with so much destruction. But perhaps the cause of much of the uncertainty and delay for many are the issues of underinsurance and no insurance - notwithstanding the enormous pool of funds donated by the public.

The horror stories that came out of Black Saturday and the weeks that followed are stark and painful revelations but the event statistics gathered by the bureaucrats however can be summarised neatly:

- **Over 400,000 hectares burnt across the state**
- **178 lives lost**
- **2029 properties destroyed**
- **78 townships affected**
- **1200 kilometres of containment lines surrounding the fires**

In the face of such destruction, all that can be done is to help and comfort the individual with food, clothing and shelter whilst the dust settles and rebuilding or relocating can commence.

## Insurance is the greatest assurance

The greatest assurance that all will be as it once was following a disaster, at least materially, is to have adequate insurance. It is the only truly dependable guarantee that your 'home and hearth' life will be normal once again.

Insurance is intangible; it is also the ultimate grudge purchase. You cannot see or feel it but the cost of a premium is very real. At times of financial hardship many people take the risk and reduce their cover or even do without it altogether. A gamble that comes back to bite hard on many as can be seen by the following figures:

- **23% of homes in Australia have no property or contents insurance.**
- **20% of home property insurance cover is insured for only 70-90% of the replacement value.**
- **70% of tenants do not have any contents insurance.**
- **Up to 35% of all contents are markedly under-insured.**
- **\$72,235 is the average small business loss due to fire.**
- **1 in 6 small businesses do not have any insurance cover.**
- **17% of small businesses are under insured. [1999/2001]**
- **70% of businesses with underinsurance or no insurance do not recover after an event.**
- **12% of small businesses have no public or product liability insurance.**

*Source: Insurance Council of Australia (ICA), Australian Bureau of Statistics (ABS), Rural Fire Service (RFS), Australian Securities & Investments Commission (ASIC), Database – Australian Government Emergency Management Australia (EMA)*



Your broker is not qualified to provide you with the exact figure to insure your home, contents or business. Even though many customers are happy with a ballpark approximation of value, a detailed report from a qualified valuer may surprise you with the true replacement cost of loss due to an insurable event.

Don't become a statistic, your broker can investigate and explain any underinsurance clauses in your cover and how it will affect you. Be prepared for the unthinkable. ■

## Not so super

In a survey commissioned by the Institute of Chartered Accountants Australia in 2006, 79% of working Australians said they would rely on their Superannuation as their main source of retirement income. A recent repeat of the survey saw that percentage drop by nearly 30%. Today only 50% of working Australians have

any confidence that their Super will be the main source of retirement funding.

Lowering of retirement funding expectations is just one outcome of the Global Financial Mess. The other concern for future retirees is the 9% compulsory super component. In the recent survey,

65% of respondents believed it would not provide enough savings for the average Australian worker in retirement.

Perhaps it's time to revisit the salary sacrifice options and plan to work a few extra years. ■

# Build it and they will come

## A DECENT WEBSITE IS A BUSINESS AID

These days, an online presence for business is almost essential. A website is a business tool that can help you reach a much wider market 24/7. Or so the pundits say. But does your business really need a website?

There's no doubt the internet can be a powerful business tool and going online can also give you great freedom to work whenever and wherever you like. But is it for you?

Despite popular belief, not every business needs a website. Many small business websites are little more than online brochures. This may be appropriate if you just want to give information about your services and contact details but a more sophisticated website may be your best option if sales and value added customer service are your goals.

If you are thinking about a website for your business, ask yourself:

- Do my existing or prospective customers use the Internet? Will they look for my kind of products and services on the Internet?
- Would my existing and prospective customers expect us to have a

website where they can obtain a quote or select, order and pay for product online?

- Can I streamline my business so that my website can handle routine tasks?
- Am I willing to invest in the design and production of a website that will handle these tasks?

If the answer to these questions is a resounding NO, don't bother about creating a website beyond a basic online brochure. If however, you consider your business has the ideal products or services for promoting over the web, then a more substantial web presence to capitalise on income producing potential should be seriously considered.

When choosing a web development company remember, you usually get what you pay for. Don't just look at the bottom line cost. Consider their 'fit' with your business, review the websites they've done for other clients and approach those clients for a reference.

When you finally have a decent website don't expect the world to beat a path to your door. You'll need to allocate a marketing budget to promote your site which, depending on your market, may call for traditional media advertising and/or ongoing Search Engine Optimisation (SEO) and/or pay per click online advertising such as Google AdWords. ■

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)

This publication is a general summary only and should not be relied on as a substitute for insurance broking advice.

# Wise.words

We don't see things as they are; we see things as we are.

— Anais Nin

“Courage is being scared to death - but saddling up anyway.”

— John Wayne

“The trouble with having an open mind, of course, is that people will insist on coming along trying to put things in it.”

— Terry Pratchett

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