

A CREATIVE WAY OF LOOKING AT INSURANCE FOR YOUR BUSINESS



MANAGEMENT LIABILITY INSURANCE

The unique Australian litigation landscape has evolved into a potential minefield for Directors and Officers. With an increase in litigation funding leading to an explosion in the incidence of class action lawsuits, Directors and Officers need to ensure that their insurance arrangements will meet their needs.

In the case of individuals, the consequences can be as severe as breaches of statutory regulations leading to heavy fines and in some extreme situations, imprisonment. In many cases Directors accept a career-damaging ban simply because they cannot afford the defense costs involved.

Management Liability Insurance is relevant for any Director, Officer or Senior Manager of a private organisation. Claims can arise from a variety of sources, including, but not limited to shareholders, customers and employees.

Testimonial

"Asset General Insurance has always been very professional. George is always available. He comes to me to see my business which helps to get an understanding of my needs. I know he has a lot of clients but I think he really does care about my business."

Jacinda Hendriks
CD Construction Group

Individuals could also be at risk in other business roles such as:

- **Non-Executive Positions** - in an advisory role as opposed to a managerial capacity;
- **Shadow Directorships** - not named as directors though they do exercise control through a director; and
- **Defacto Directors** - have the same role as a director but are not legally appointed.

Management Liability Insurance also includes Employment Practices Liability for the company, plus its executives, employees, and outside directors.

Provides company liability cover, meaning the directors' personal shareholdings in their privately held companies are protected should an action be brought against them. Provides cover for the company suffering a direct financial loss due to a dishonest act.

For more information or to obtain a quotation, please contact us.

Disclaimer - This information has been provided without taking into account your objectives, financial situation or needs. You should consider whether the advice is appropriate in light of your objectives, financial situation and needs. Please read the Product Disclosure Statement before making a decision to acquire the product.



George Sismondj
Director of AGIS

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LOSS OF PROFIT/BUSINESS INTERRUPTION INSURANCE

If a business does not have “Loss of Profit Insurance”, and an interruption happens, you the business owner would have to fund the recovery. A correctly put together “Loss of Profit Insurance” should alleviate any potential loss of goodwill and provide cash flow support.

Business typically insure their business physical assets, themselves, their cars, their houses, but when the business is interrupted, the cash flow, or gross profit, stops coming out of the business to the owners. This cash flow is as important as other tangible assets that are insured.

How is your business protected from an interruption?

- What happens if your machinery breaks down and you cannot fulfil your orders?
- What is the disaster recovery plan for your business if your supplier suffers a water damage issue that results in the destruction of the raw materials they supply you?
- Does your business have a contingency plan ready to go when the shopping centre you are in closes a section due to a problem with the sprinkler system?
- Can your business cope with the failure of supply from a Public Utility or Telecommunications provider?

Claims Case Study 1

Business - Printer

Printer of business promotional items such as diaries, calendars and mainly plastic sports bottles.

Event - Fire

- Insured located in 10 year old industrial complex consisting of 4 units.
- Fire caused by a small floor fan heater being accidentally left on and overheating in the adjoining unit.
- Fire spread via the roof and into printing works. Large stock pile of finished goods destroyed along with all machinery.
- Business completely burnt to the ground, there was no salvage of any equipment or stock. Business was not only interrupted, it was brought to a stand still.

Type of Cover - Traditional Loss of Profit Insurance with a 6 month indemnity.

Response

- Day 1 Insurer notified of the fire at 10pm
- Day 2 Adjuster appointed and site inspection attempted but Police and Fire Dept name site unsafe and entire rear of complex closed to all
- Day 27 Police and fire Dept allow access to site at which time Adjuster allowed to perform inspection
- Day 30 Liability admitted by insurer
- Day 36 First claim payment made
- Day 39 Release issued as site is deemed a total loss. Insured cannot return
- Day 42 Payment schedule made, but conditions imposed on insured to relocate and commence operations. At this time it was established the sum insured has not allowed for the growth of the business over the last 2 years, therefore insured only receives 70% of the expected payment on the schedule.
- Day 140 Payment cease as insured still not back in operation
- Day 160 New premises found and production starts again, but during this time 2 major clients lost to competitor
- Day 180 Indemnity period ceases as 6 months expires. Insured only located new premises. Claim finalised, but insured now out of business.

What are the Risks involved in not having the right type of “Loss of Profit Insurance”?

The possibility of underinsurance

Business owner often do not understand that with traditional “Loss of Profit Insurance” you need to set the sum insured based on where the business will be in 12 months, i.e. allowance for growth needs to be taken into account.

Loss of income due to time excesses

Most traditional policies tend to have time excesses, which means the business will wait a certain amount of time (e.g. 48 hours) before a claim qualifies under the policy.

Material damage claim interference

Often the “Loss of Profit Insurance” claim will be an afterthought and not paid until late in the process, resulting in the business being cash strained in the meantime and potentially suffering customer losses.

Claims Case Study 2

Business - Meat Wholesaler

Meat Wholesale including processing, servicing domestic clients and international.

Event - Fire

- Fire caused by a ceiling fan overheating.
- Fire spread quickly throughout and engulfed the main meat processing building.
- Due to the extent of the fire the beef boning and packaging operations were totally disrupted.
- Indirect disruption to supplier and customer related companies' turnover.

Type of Cover - Cashflow Insurance with Lumped Extensions.

Response

- Day 1 Insurer notified of the fire at 3pm and Adjuster appointed and site inspection carried out
- Day 11 Insurer formally accepted liability
- Day 16 First claim payment recommendation received
- Day 17 Release issued
- Day 21 Payment made same day as releases received
- Day 31 Lumped Extension payments made
- Day 60 Claim finalised and settled

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