

brokerwise

Brought to you by: **Council of Queensland Insurance Brokers Inc**

Welcome to **brokerwise**

Within the pages of this quarterly newsletter we plan to bring you a variety of interesting stories, opinions and news items.

in this issue

Under-insurance

...anyway, it'll never happen.

Employee fraud

...an inside job.

Home help

...cheap compo cover.

Careers in Insurance

...satisfying, rewarding.

Secure your home

...ten tips.

Driving & phoning

... it'll end in tears.

Under-insurance: A risky business

Recent research by the Insurance Council of Australia (ICA) has shown that an alarmingly large number of business owners choose to under-insure or go without insurance altogether. This is particularly the case when it comes to 'micro businesses' (defined as very small businesses) or home based businesses.

Statistics show that 17% of registered small businesses have no insurance whatsoever and another 17% are grossly underinsured. The figures are said to be even higher for micro or home based businesses and each year the industry hears thousands of unfortunate stories about businesses that have lost everything because their owners chose to rely only on the protection of domestic home and contents policies.

Another worrying trend is that 42% of those who have Business Insurance have no Business Interruption (BI) cover, probably one of the least understood aspects of business insurance and for many the only lifeline to ailing businesses that have suffered setback and loss due to a major disaster.

Telling illustration of what can happen is provided by natural disaster incident reports on events such as bushfires and earthquakes. Information and statistics of the consequences of these incidents and the underlying under-insurance picture fill volumes, yet the unfortunate fact is that lessons learned in these events seem to be too soon forgotten by most of us.


Despite the huge financial investment in establishing and maintaining a business,

many proprietors continue to treat sensible insurance cover and its cost as a 'grudge' payment issue – even though much of the cost is offset by generous tax deductions.

Insurance is not a product that you can see and feel, or one that you get any instant value from and so for many the desirable thing is to get out of it at the lowest possible cost, i.e., take the lowest premium option for base-level minimal cover and maintain the thought that nothing will go wrong anyway. Now there's a recipe for a disaster waiting to happen.

There can be no supportable case for small businesses not insuring. The protection of jobs, property and investment demands it and yet, until recently, the insurance of a new business was seen as something that could be done "eventually". In simple terms, if you can't afford proper insurance, you can't afford to go into business.

All businesses, even one-person working from home operations, require insurance. Apart from cover to protect the business and its future trading against setback in all its forms, there is the issue of liability and material damage to the public. Financial ruin, both personally and on the business level, and the flow-on effect on lives and families can be the price for failure to arrange liability insurance.

If the tone of this article raises concern about your business and its level of insurance cover, please phone us. 

Member:



The enemy within

The incidence of fraud is on the rise and studies suggest the majority of fraud is committed by parties internal to the organisation. It is important therefore for businesses to have safety checks to alert them to the fact that employee fraud may be occurring. However, it is also important for an organisation to recognise what factors can encourage fraud.

Motives

Otherwise honest and trusted employees may defraud their employer in times of personal hardship, typically involving the financial burdens brought about by divorce or gambling and other addictions.

However, another powerful motive in cases of employee fraud is greed, or at least the desire to be seen to be performing well and meeting targets. This motivation is typically found in corporate environments that aggressively promote and reward success. There are many industries that have sales rewards or commission based structures which may encourage some employees to be dishonest. It will concern businesses to know that motivators for fraud may include such commonplace schemes as incentives or bonuses for good performance.

The risk of losing lucrative bonuses if targets aren't reached appears to have been a significant factor in the rogue trading losses suffered in recent times by NAB.

Where employee performance is measured primarily by revenue or sales, employees may make fictitious sales, give customers unauthorised discounts to encourage them to buy particular products or services, or even record sales before they have been achieved. This is done in order to meet monthly targets and to receive commission, bonuses and even promotions.

Employees may even commit fraud to win competitions. A major bank, offering the reward of a holiday for selling a certain number of loan insurance policies proved too much for one bank manager. He misrepresented the loan to customers to increase his sales figures and win the holiday.

These types of incentives are often a genuine and necessary function of a business reward program. If so, it is important that a healthy and supportive corporate culture prevails to

encourage employees to respect the ethical operation of the workplace, and reduce the risk that employees may cheat their figures. If sales targets are required, then they should be achievable and bonuses fairly awarded to make employees satisfied that their efforts are being properly recognised.

Opportunity

Most cases of employee fraud involve poor risk management structures. This means that the employee does not need to go out of his or her way to commit a fraud, or devise a complicated scheme. The opportunity is usually there for the taking. There is no substitute for a rigorous screening process when recruiting employees, and a good training and supervision program educating and monitoring employees on their responsibilities and objectives.

Recognising fraud once it has occurred

Detecting and prosecuting fraud is an expensive exercise. Every business needs to have regular systematic reviews of productivity, sales and revenue figures to identify any unusual changes.

The main requirement for an effective fraud detection mechanism is that it needs to be an effective system rather than being based solely on people. Detection based on the observance of people may work to catch fraud of employees downstream, but is always subject to the fallibility of the management responsible, especially in the case of individual employees committing significant frauds. While discovery may result in charges being laid, the money lost from the business may never be recovered and may be beyond the scope of its insurance cover. There may also be a significant cost to the organisation's reputation.

Conclusion

Although human nature dictates fraud can never be entirely eradicated; it can be more effectively managed. By proper risk management and supervision, businesses may be able to reduce their losses over the mid to long term by monitoring both the motives their employees may have for committing fraud and reducing the opportunities. Businesses ignore proper risk management at their peril. 🐛

Domestic help uncovered

Unlike some states of Australia, Domestic Workers Compensation Insurance cannot be included in your householders insurance if you live in Queensland.

Household workers are those you employ solely in and about, or in connection with, your own private residence or the grounds of your residence. They could include a gardener or cleaner. Independent contractors (e.g. plumbers, electricians etc) are not classed as household workers as they have their own businesses and employ their own workers who are usually covered under their employer's workers compensation arrangements

A household worker could be injured while working for you and make a claim for:

- Compensation payments.
- Hospital and medical expenses.
- Workplace rehabilitation costs.

- Lump sum compensation payments for permanent impairment.
- Costs associated with a common law claim made out against you.

If your household worker is injured and makes a workers compensation claim and you are uninsured, WorkCover Queensland can recover the entire cost of the claim from you. They are also entitled to charge a penalty of 50% of the cost of the claim.

A WorkCover Queensland insurance policy for household workers costs \$30.00 for a two year insurance period. This period is set for all policy holders, no matter when you take out the policy.

For more information or to arrange cover contact WorkCover Queensland direct on 1300 362 128 or visit their website at www.workcoverqld.com.au 🐛

Tinker, Tailor, Soldier, Broker

It's a steamy morning rush-hour in downtown Brisbane, tempers are flaring and Peter Maloney is looking for trouble. That's his job. When there's a major crash, he heads for the site...fast. In fact, Maloney, a claims adjuster for insurer Mooncorp, often gets there before the police, before a wrecker tows the cars and before cell phone-equipped drivers call their lawyers.

Across town in the quiet, leafy suburb of Hamilton, dark deeds are being done in a private home with more than its fair share of treasures. A gang of thieves, probably out on bail for other transgressions, have breached the locks and are having their way with the acquisitions of a stranger's life. Maloney takes the call from HQ... it's going to be a long day.

The insurance industry probably doesn't leap to mind when you think of exciting careers but if ever there was a great plot for an action TV show, look no further than some corners of the industry. It's not all high-adrenalin and crime scenes but the insurance industry offers a wide range of interesting, rewarding and yes, sometimes exciting, career opportunities.

If you talk to the leading recruitment companies about the state of the Australian insurance industry, they will describe it as... "hectic, changing and tumultuous". The introduction of FSRA Compliance (Financial Services Reform Act) has ensured quality control within the industry and compelled members to achieve this standard. Due to compliance costs

some smaller broking firms have disappeared, causing greater market consolidation. However, the FSRA will ensure more professional personnel and an improved reputation for the industry.

The insurance sector is currently experiencing a gradual but consistent upturn in job opportunities for personal injury claims and underwriting specialists. The areas of workers compensation, compulsory third party (CTP) and Occupational Health and Safety (OHS) - all governed by legislation - are experiencing a huge demand for not only experienced professionals from insurers, but also from allied health backgrounds. Even within public and products liability, professionals with a slant on personal injury and medical terminology expertise are in high demand.

Naturally, we are biased toward the insurance broking sector of the industry and suggest that a great place to start for anyone interested in broking as a career is the website of the National Insurance Brokers Association (NIBA). Logon to www.niba.com.au and follow the NIBA Education links.

Tell 'em Maloney sent you. 🐻



Ten Steps to Better Home (& business) Security

Take these steps to improve security and your insurance company will love you for it. They may even give you a discount on your premium.

1/ DOOR LOCKS

Are your doors fitted with security locks?

If not, replace them with the deadlock or deadbolt variety. Normal 'key in the knob' locks which are often fitted as standard to most homes offer little resistance to burglars. Aluminium sliding doors require a patio door bolt.

2/ WINDOW LOCKS

Are your windows fitted with key operated locks?

If not, they are an easy target and offer little or no resistance. Window locks can be keyed alike for easy use and there is a window lock available for every type of window.

3/ SECURITY SCREENS AND DOORS

Do you leave your windows or doors open for ventilation?

If so, have security screens fitted. This also acts as a visible deterrent to any opportunist offenders that pass by.

4/ ALARMS

Do you have an alarm system fitted to your home?

Alarms will greatly reduce the amount of time an offender will spend at your home. Alarms can be monitored by a security company with some being able to be armed whilst at home.

5/ LIGHTING

Is the front and rear of your house well lit?

Lighting such as flood lamps should be installed to provide as few hiding places as possible to a potential offender.

Motion sensor lighting is excellent for this and is quite inexpensive.

6/ PROTECT YOUR POWER SUPPLY

Could an unauthorised person switch off your power supply?

If so, you can have a 125mm square window installed in the lid of your meter box, and a padlock or key lock installed. Or speak to your power supplier about padlocks with meter box access via a master key carried by the meter-man.

7/ BACKYARD SECURITY

Is it possible to gain easy access to your back yard?

If so, look at putting up fences or other barriers on either side of your home. Make it difficult for an offender to enter and he'll go elsewhere.

8/ FENCES, TREES AND SHRUBS

Can you see the front doors and windows of your home from the footpath?

If not, trees and shrubs should be trimmed to reduce the number of hiding places for a potential offender.

9/ NEIGHBOURHOOD WATCH

Are you a member of Neighbourhood Watch?

Your neighbours are your most valuable security asset and this fact should be exploited and reciprocated. Join the scheme now, it costs nothing and pays a great deal.

10/ MARKING OF VALUABLES

Can you identify your portable property?

The engraving of your drivers licence number on household property is strongly recommended. 🐻

Hell on Wheels

It's been the law for years but still there are drivers out there risking life and limb, and not just their own, flaunting what must be the 'road-rule-that-makes-the-most-sense' i.e., hand-held mobile phoning while driving is illegal.

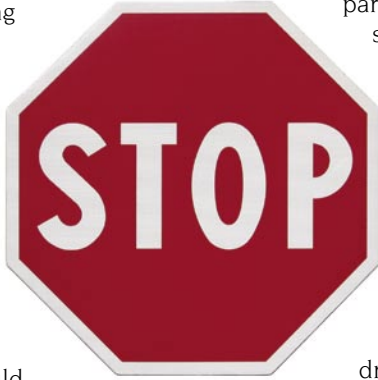
Talk to anyone who does it and they'll tell you they are time poor, in a hurry, too much to do... and so on. Fact is, it's not only illegal, it's downright dangerous. How could you live with yourself if you killed or maimed someone because you just *had* to call your office, or a client... or order a pizza!

Drivers who have a mobile phone stuck to their ear while driving are four times more likely to have a

collision than those who don't. Concentration takes a back seat – distraction comes up front.

Employers must ensure that employees who drive as part of their job drive safely within the limits of the law. It is essential that an employer provide a safe working environment. And this can mean providing hands-free kits or, even better, voice-mail systems to employee-drivers who simply must be contactable.

Here's an even better idea when driving. Enter the 'busy or switched-off' zone... and turn it off, your 'missed calls' phone feature will bring you up to speed when you get where you're going. 📞



Gender Bender

Even non-organic things have a gender; see if you agree with these observations.

- Freezer Bags – Male: They hold everything in but you can see right through them.
- Copiers - Female: Once turned off, it takes a while to warm them up again. It's an effective reproductive device if the right buttons are pushed but can wreak havoc if the wrong buttons are pushed.
- Tyres – Male: They go bald and are often over-inflated.
- Hot Air Balloon – Male: To get it to go anywhere you have to light a fire under it and of course, there's the hot air part.

- Sponges – Female: Soft, squeezable and retain water.
- Web Page - Female: Always getting hit on.
- Subway - Male: Uses the same old lines to pick people up.
- Hourglass – Female: Over time the weight shifts to the bottom.
- Hammer – Male: It hasn't changed much over the last 5,000 years but it's handy to have around.
- Remote Control – Female: Gives a man pleasure, he'd be lost without it, and while he doesn't always know the right buttons to push, he keeps trying. 📞

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 Probe

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

Acknowledgements

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Carter Newell - Brisbane

wisewords ... goes to the dogs

To his dog, every man is Napoleon; hence the constant popularity of dogs.

Aldous Huxley

Scratch a dog and you'll find a permanent job.

Franklin P Jones

In dog years, I'm dead.

Unknown