



IUA

Interruption Underwriting Agencies

part of the calliden group

Why IUA?

Our Cashflow Insurance
gets your clients back
on their feet sooner.



Standalone Cashflow Insurance offered by IUA

IUA offers standalone business interruption (cashflow insurance) insurance that delivers more, getting your clients back on their feet sooner.

Our product protects your client's business from loss of profits and with some clear benefits over ISR and packaged business interruption products. These benefits provide even more reason to use standalone cashflow insurance as opposed to other types.

With 42% of Australian businesses operating without any business interruption insurance, it's clear that there's a vast important need to be met.

Looking deeper at the numbers it's also clear that it's critical for your business that the right product is provided, with over a quarter of businesses recovering from a major material damage loss changing brokers soon after.

Choosing the right business interruption insurance is not only important for your client, but it is also important for you, as their broker. Did you know that 26% of recovering businesses change their broker? This is because sometimes client's expectations of the product may not be met.

If you would like a clearer understanding of business interruption insurance we can offer you this through our training programme.

But why choose IUA?

Here are a few good reasons why choosing IUA's will be a step in the right direction for you and your client.

- Our claims process gets your clients **back on their feet faster**. Claims action starts **immediately** with no time deductible. And we **pay weekly** where practical, helping to keep cashflow issues to a minimum.
- Our offering is more **transparent**. With IUA your clients are less out-of pocket. They know what they'll receive —with no deductions, offsets, averaging for underinsurance or many of the other penalties typically associated with business interruption insurance. In practice this means real advantages, such as **no deductions** from final payout for overhead savings (i.e. rent is not being paid due to burnt down premises).
- Because our policy is stand alone it means we have a **specialised loss adjuster** solely focussing on getting cashflow back into the business not also having to sort out any material damage claims.
- Our **innovative** uses of lumped extensions (such as assistance with relocation costs) are not constrained in their application as they can be with other policies.
- Our **high-touch claims service** uses specialised independent loss adjusters, greatly reducing the risk of client dissatisfaction.
- A variable indemnity period means clients pay **only for the cover they need**, which makes our product easier to sell as the cover does not have to be long term.

And in the best interests of the broker IUA offers a **standalone policy** with a simple turnover rating classification by industry. This makes the premium calculations simpler.



Improvements to our Standalone Cashflow Insurance Product

We have recently improved our product. Below is a quick snapshot of how our new improvements compare to our old product. Full details of these benefits are set out in the updated policy wording.

Old Product	New and improved
Restricted indemnity period	Flexibility of indemnity periods increased. Your client can now have cover from 13 to 104 weeks, and this period does not have to match the weeks of turnover covered under the policy. So weeks of indemnity can be longer than weeks of turnover covered, giving extended period to utilise cover.
Weekly Cover — generally tied to indemnity period	Cover options range from 12.5% to 100% of annual turnover.
Seasonal cover — option of separate item	Standard weekly cover now includes seasonal trends as advised so that if a disruption occurs in a peak business period the policy can respond accordingly.
Goods in transit — not covered	Goods in transit now covered.
Property at storage locations — not covered	Your client's goods temporarily stored at locations in Australia now covered.
Acquired companies — extension of cover available on request	Cover automatically extended to acquired companies for 30 days until full details provided.



Article from I&RP — Dec 2009

CASH - Keep it flowing

Cashflow is the lifeblood of a business, but not all insurers are able to provide this to an insured at the time it is needed most – when the business has been interrupted. By Stephen Fay

The importance of cashflow

Not only does cashflow pay the owners of the business, a continued flow of cash enables the business to meet customer needs, keep payroll flowing to staff, and pay interest on any loans and debts. The ability to continue to meet loan repayments is particularly important for small company owners that secure the business loans personally.

It is not only about survival, it also underpins the goodwill of a business that has often been built up over many years. Future cashflow is the basis for any valuation for a small or medium size business. Cashflow can be disrupted and businesses need to anticipate the effect this can have. Data from Interruption Underwriting Agencies (IUA) over the last two decades shows that one in 10 businesses will have a disruption to their cashflow in any three-year period.

Traditional insurance response

What is particularly concerning is how poorly this need is often met by traditional insurance. Firstly there is the complicated method of calculating gross profit and estimating increased working expenses. The real difficulties start however when the claim happens – increased cost of working, time, excesses and then more often than not the average clause kicks in – all resulting in expectation gaps between the insured, their broker and the insurer.

The common disappointment caused by the quantum of what is received by the insured is further compounded by time delays in settlement. Often the business interruption claim settlement will have to wait until the material damage claim is also settled. While all this happens, the business often has to dig into their own pockets for cash to keep the business afloat. So instead of the insurance meeting the cashflow deficit, the business owner often loses more cash.

It is not surprising perhaps that only 31% of SME businesses take up business interruption insurance (Cameron Research Group, 2006). Nor is it surprising that 25% of businesses that recover from



a business interruption claim change brokers soon after (Manning A., 2004, Strategic Management of Crises in Small and Medium Businesses, Doctoral Thesis, Victoria University, Melbourne).

What is the best way for a claim to be handled? The most important business need at the time of a claim is to get the cash flowing back in the business. For example, IUA structures its offering to ensure that as soon as financial information is provided by business, weekly claim payments will start to flow. In over 90% of instances, IUA insureds who have a claim get cash flowing in the first three months.

Many insurers and brokers emphasise the tail end of the claim, highlighting the need for longer and longer indemnity periods. While these are clearly appropriate in some cases, equally important is the need to respond at the beginning of the claim. IUA data highlights that through IUA claims response, 98% of business interruption claims are finalised within 12 months and even more importantly 50% of business interruption claims can be resolved in three months.

The aim is to have a policy that can quickly and flexibly react to an event and seek innovative solutions to get the business up and running again. *Stephen Fay is Managing Director at Interruption Underwriting Agencies, which has specialised in business interruption insurance for over 20 years. For more information, call 1800 223 623, email info@iua.com.au or visit www.iua.com.au*

Back to business

Do business interruption policies cover small businesses affected by catastrophes like the Victorian bushfires? By Roslyn Atkinson

Imagine running a dry cleaning business in a town that is virtually wiped out by a bushfire. Even if the fire front passes by your shop, what will happen to your customers in the following weeks and months?

Or imagine if you're a restaurant that depends on locals, as well as tourist business, to survive. Following a catastrophe like the Black Saturday fires, who will be going out to dinner?

These were real problems that faced small business owners following the fires in Victoria one year ago that claimed 173 lives.

The fire may not have destroyed their buildings, but it damaged their livelihoods.

Catastrophes cause more than physical damage. Businesses in the surrounding areas can lose customers – whether it's through fewer people living in the area or fewer people travelling to the area.

The question for insurers is: where do you draw the line for a business that is directly affected by a catastrophe and a business that is indirectly affected?

Suncorp – the insurance group behind the Vero, GIO and AAMI brands – faced this conundrum when dealing with business interruption claims due to the Victorian bushfires.

"Strictly speaking, the policy only responds to a claim for business interruption in conjunction with actual property damage at the situation," said Darren O'Connell, Executive General Manager, Commercial Portfolio.

"Most policies do, however, have a premises in the vicinity/prevention of access additional benefit whereby the damage to premises in the immediate vicinity or intervention by a lawful authority (ie road block) prevents access to, and impacts, the gross profit of the business."

Suncorp determined that a business had to be in – not just near – a bushfire-affected town to qualify for the additional benefit. "There were incidents where our customers lodged claims because the fires in nearby areas restricted the access to their towns and consequently to their business premises," Mr O'Connell said.

"This was deemed not to be in the vicinity of their premises and the claims [were] denied." Even for

businesses that were deemed to be in the vicinity of the fires, questions arose about the indemnity period to claim loss of attraction. "Vero took an overall approach that if damage prevented access to a business, the indemnity period would extend until this access was restored (ie the debris removed)," Mr O'Connell said.

"In the case of road blocks, we generally took the view that the indemnity period would be extended to the time the roadblocks were removed in the main areas affected, which was up until March in some cases."

Those businesses that were able to make a successful business interruption claim due to the Victorian bushfires were among the lucky ones. "Very few businesses have business interruption cover at all," said Denis Morrissey, Senior Underwriter for Specialist Underwriting Agencies (SUA).

"The two things that can make or break a business are a large liability claim and the other is a business interruption claim. If they haven't got enough cash flow, they have a double whammy. They can't meet their mortgage payments. They lose their house as well as their business."

Mr Morrissey said loss of attraction was usually considered to be an extension to a business pack. "A lot of people don't even realise that it's there." He said SUA automatically included loss of attraction in its business interruption policies.

"You're probably comparing our product, being a Rolls-Royce product, to a standard Holden Commodore product. There's an increase in costs



because of adding additional covers to it ... We have put a lot of add-ons into our policies, so that brokers don't have to go and think or ask whether they are necessary or not."

SUA business interruption policies also include 'loss of goodwill', which pays out if the claimant can't go back into business at all, for example, if they can't find a suitable location or there are legal reasons that prevent them.

Many business interruption policies have an averaging clause. That is, if a business is only insured for 80% of the total cost if they suffer a total loss, it would only receive 80% of the payout for a partial loss under an average clause. However Calliden's Interruption Underwriting Agencies (IUA), which specialises in business interruption, has no averaging clause ensuring that businesses receive adequate cashflow even if they do not suffer a total loss.

"The most important aspect in any claim is the regular flow of claim payments to insureds to keep up their cashflow," said Stephen Fay, Managing Director at IUA.

"The other important point with loss of attraction and prevention of access claims is to keep an eye on any sub-limits for additional benefits, which are in a lot of policies, as these can have a major impact on the amount that can be paid in the claim. "With the IUA policy claims are paid weekly and there are no sub-limits on any of our additional benefits, including prevention of access."

Calculating the loss Another challenge when determining a claim for business interruption following a catastrophe is working out how much business has been lost.

Forensic accountants such as Chris Ehlers, Director of Matson, Driscoll & Damico, specialise in this field. He notes that damage is usually defined as "physical loss, destruction or damage" to property "used by the Insured at the Premises for the purpose of the Business".

"Whilst insureds can suffer financial damage as a result of the event, or as a result of damage to property owned by others, the trigger for indemnity requires damage to the insured's own property," Mr Ehlers said.

He said several policies include extensions of cover that respond to other triggers.

Some of these are:

- Service Interruption
- Acts of Civil Authority
- Ingress/Egress (Denial of Access)
- Loss of Attraction, and
- Contingent Business Interruption.

"When a business interruption claim arises as a result of physical damage in conjunction with a CAT event, a forensic accountant's role is to value the actual loss sustained by the insured had the physical damage not occurred," Mr Ehlers said.

Interestingly, a catastrophe can cause an increase in business just outside the affected areas.

For example, a major high street retail chain, which had several stores damaged by Hurricane Katrina in 2005, achieved a boost in sales at undamaged locations near the hurricane affected areas. In this case, the increase in revenues represented normal make-up from the loss-affected locations in addition

"The most important aspect in any claim is the regular flow of claim payments to insureds to keep up their cashflow"

to increased revenues resulting from consumers replacing their storm-damaged contents.

"It is crucial for the forensic accountant to identify and quantify any increase or make-up in business at these alternate locations," Mr Ehlers said.

"A further issue that can

arise is whether it is economically reasonable to expedite the repair of the physical damage.

"Following the Asian tsunami in 2004, many hotels paid premiums to repair their rooms as quickly as possible; however, in most cases, the demand for these rooms was low and it was therefore not urgent to repair every room on an accelerated schedule."

Even for businesses with the right insurance, a catastrophe can be too traumatic for a business owner to continue anyway – as was the case with the Victorian bushfires, according to Mr O'Connell from Suncorp.

"We have had customers where it has become apparent that it will take longer than a 12-month indemnity period to reinstate their businesses and get back up and running – and they are persevering," Mr O'Connell said.

"Others have decided that due to the nature of what happened, they cannot carry on with their businesses. In other instances, businesses are not reopening at all due to the loss of family members, or for personal or safety reasons."

IUA's Claims Guarantee

We know the policy you choose makes a real difference to business' ability to recover after a claim.

IUA's claims process and management means that your client can resume business and be back on its feet faster.

IUA now guarantees the excellent claims service it provides to its customers.

The services it guarantees include:

1. Within 72 hours of the claim being reported to IUA, a Loss Adjuster will contact the insured/broker
2. Within 48 hours of payment authorised by IUA, a release will be issued to the adjuster & broker.
3. Within 48 hours of a release received by IUA, payment to the insured will be made.
4. Payments to the insured will be made on a weekly basis throughout the indemnity period, upon receipt of adequate financial information

We back this up with a Claims Promise:

If IUA does not meet these guarantees, an automatic **\$1,000 cash back** will be paid to the insured.

Claims Case Study 1

A fire in the NSW Central Coast region highlighted the impact on a business from quick response times for business interruption claims.

A fire resulted in a manufacturer and distributor suffering a loss as their building was severely damaged. The timing of the fire was particularly poignant for the business as it resulted in the ruin of newly arrived stock from overseas.



IUA, due to the flexibility in the policy, was able to respond quickly to the claim to get the business up and running.

This included facilitating an overseas trip to source new stock, quickly establishing alternative premises and working closely to ensure the rebuilding of the original premises. The company was running at pre-event cashflow within 23 weeks.

An interesting by-product of the fire was the impact on another business insured with IUA was operating in the same street. The fire resulted in prevention of access to the premises, and a consequent reduction cashflow for the business. This smaller claim was finalised and settled by IUA in the first week!

Claims Case Study 2

Will your business get the claims response it needs?

Business – Real Estate

Real Estate Agent

Event — Fire

- Fire, as a result of arson, at insured premises caused extensive damage
- The premises had recently undergone renovation, which included repainting, addition of a new telephone system and a new computer system

Response

- Day 1** IUA were notified of the fire at the premises. Adjuster appointed and site inspection carried out
- Day 5** Relocation: Insured was able to relocate to temporary premises
The new premises was set up with computer screens and the telephone system had been changed over to the new premises within the week
Signage redirected customers to the new premises
- Day 6** Operations recommenced 6 days after the interruption
- Day 7** First claim payment was made 7 days after the incident
Insured suffered disruption to turnover as a result of relocation and reimbursed by IUA policy for loss of turnover suffered over the entire indemnity period.
- Total Claims Payments in excess of \$100,000

Claims Case Study 3

Will your business get the claims response it needs?

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

Response

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



Claims Testimonial

“I was engaged by IUA as their Loss Adjuster in relation to this substantial Business Interruption claim. In that capacity I was most impressed with the way IUA developed a close working relationship with the Insured, the Broker and our office, during the life of the claim.

Decisions to progress the claim were made quickly. In accordance with the policy contract IUA made weekly progress payments to the Insured, giving them peace of mind around managing their ongoing business expenses.

It has to be said the overall management and service given to the Insured on this claim was nothing short of excellent.”

Malcolm Mansfield - LMI Group, February 2010

“IUA offers a simplified policy wording that is easy to understand. I was able to explain to my client (a meat wholesaler) in simple terms how we calculated their sum insured and how it would pay out in the event of a major interruption to his business.

Once indemnity was established payments came every week within 48 hours of us providing the weekly figures.

The additional benefits under the lumped extensions were extremely valuable (including paying for the costs of the insured's own appointed loss adjusters).

IUA's policy has no co-insurance and there were no deductions to the claim for savings that were achieved during the disruption to the business.”

David Sarre, Director, Sarre Insurance Broking Services

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IUA Pty Ltd (ABN 28 127 893 243 AFSL 324098) is a wholly-owned subsidiary of Calliden Group Limited. The Cashflow Insurance product is underwritten by Calliden Insurance Limited (ABN 47 004 125 268 AFSL 234438). For more information on the product or to obtain a copy of the policy wording please contact your insurance broker or visit IUA's website – www.iua.com.au



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