

NURSERY PAPERS

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Insurance in the nursery & garden industry

Relying on Mother Nature to earn a living can be unpredictable and risky, regardless of the size or location of your business. Businesses in the Nursery Industry require robust risk management plans, tailored insurance products and services and the support of their Industry Association to guide them through the myriad of issues. In this Nursery Paper, we take a closer look at insurance and risk management advice and the benefits to your business.



Insurance in the nursery & garden industry

Identifying and managing the risks faced by your business

Operating a business, regardless of the size or industry, involves an element of risk. While a tailored insurance policy is crucial, a comprehensive risk management plan can help identify and prevent issues before they become an insurance claim.

Unidentified and unmanaged risks can cost your business in many ways, including lost profits, regulatory compliance issues, liability exposures and even loss of reputation.

Managing the risks can benefit your bottom line by keeping your staff and clients safer, protecting your business from liabilities and assisting you to make informed decisions when it comes to your organisation.

In order to effectively manage the process, you need to identify and assess the risk factors affecting your business operations. Some of areas that nursery and plant growers should consider are:

Physical Environment

- The design, construction, condition and maintenance of premises
- The condition, location, operation and protection of plant and equipment
- Environmental impairments such as chemicals, pollution

Human Environment

- Hiring, supervision and training of employees
- Site visitors: invitees, contractors, trespassers

Contractual Liabilities

- Liability assumed through contract
- Leases and maintenance agreements

Personal protection

- Life insurance
- Superannuation
- Key man insurance

Given the myriad of risks your business is exposed to every day, ensuring you have the risk management procedures in place is critical. You and your staff know your business better than anyone else and sharing these insights with an expert in the field can be beneficial.



Occupational Health and Safety is everybody's business



Brett Millar, OAMPS' Employment Risk Solutions Manager.

Taking a holistic approach to managing Occupational Health and Safety risks is one of the most important aspects of an effective risk management plan, says Brett Millar, OAMPS' Employment Risk Solutions Manager.

"While Occupational Health and Safety issues are complex

and penalties for inaction are harsh, there are plenty of opportunities for companies to educate employees about the potential risks, putting in place procedures that help make the workplace safer and implement systems that avoid loss creating situations.

"Because safety issues can arise at any level within an organisation, it's important

that everyone, from staff at the coalface, through to management and beyond, are part of identifying the potential issues.

"We've witnessed both in Australia and internationally, just how damaging inactivity can be to the company's brand and reputation.

"It really is a case of prevention being better than the cure. One of the most important things to imbed in a company's culture is to share knowledge and bring the issues to the table," Mr Millar says.

Review this basic checklist to gain an idea of how your organisation is placed to manage Occupational Health and Safety Risks:

- Is there a system in place that is routinely used by all employees to identify and report hazards and incidents in your workplace?

- Are hazards reported and dealt with before injury occurs?
- Is the business meeting all of their obligations (under the OHS Act, Regulations) in relation to risk management?
- Is there regular communication and consultation, between management and employees about hazard identification and risk assessment in your workplace?
- Are employee OHS representatives directly involved in risk assessments conducted in your workplace?
- Is there training or skills development to improve risk management processes in your workplace?
- Are detailed records maintained and analysed in relation to injuries, illness and incidents/accidents?

Protecting the key people in your business

An important element in the assessment of risks to a business is the impact that a loss of a key individual may have. Business continuity plans should encapsulate how the business would respond to the loss of one or more key individuals, and how replacement strategies would be funded and implemented.

According to Australian Bureau of Statistics Data:

- There are 1.88 million small businesses (an entity which employees less than 20 people), representing 30% of Australia's economic activity.
- Small businesses are responsible for generating 3.6 million jobs, or 47% of private sector, non agricultural employment.

Small businesses make a major contribution to our economy and communities. Based on the figures above it is easy to appreciate that many small businesses will be highly dependent on only one or two key staff to maintain profitability and solvency.

How do you ensure the financial well-being of your business in the event that you or one of your key people was temporarily or permanently unable to work due to health reasons?

The financial risk to your business in the event of a major health issue occurring to you or one of your key people can be considered in three parts:

- The length of time that a key person will be unable to work
- The contingency plan that you would follow depending on this time frame; and
- The financial implications to your business of implementing the contingency plan.

Consider the impact on your business, should an unforeseen health event occur to a key person on:

- Cash flow/Revenues
- Meeting additional costs incurred for recruiting, relocating and training replacement personnel
- The businesses ability to service ongoing fixed costs such as rent, utilities and staff salaries
- Interest servicing and meeting taxation obligations
- Hire purchases and lease costs
- Additional consulting fees, legal and accounting costs etc

Business continuity planning not only looks at what the business impact will be but will also detail exactly how these contingencies should be funded.

Key Person insurance incorporates sums payable to your business, based on the identified funding requirements within a risk contingency plan, should a key person:

- Become totally and permanently disabled
- Suffer a major trauma
- Be temporarily disabled
- Pass away

A combination of these benefits will ensure your business is protected should a key person be incapacitated in the short medium or longer term.



A closer look at business continuity plans

Businesses can be devastated by unexpected events. Disasters such as a fire may make it impossible to operate your business for a period of time, putting your entire livelihood in jeopardy.

While most businesses have insurance to cover against incidents like fire, less thought is often given to the ongoing consequences of a major business disruption. Property insurance may cover rebuilding, but who pays the bills and wages while the business is being re-established?

What many overlook is that repairing or rebuilding premises or replacing stock and equipment takes time as well as money. Covering the cost of rebuilding or restocking only solves half the problem – you'll need to consider the profit losses your business will suffer while being unable to operate. That's where Business Interruption insurance can be a business saver.

Many insurance experts cite business interruption as the most frequently overlooked type of cover by small to medium businesses. This may be because

it can be confusing for individuals to calculate the right level of cover, and there is a preconception that this type of cover can be expensive. Insurance Brokers can help you sort through these issues to ensure you arrange the right protection for your business.

Business Interruption is arguably the most important part of your insurance program as it will:

- Ensure that you can pay your bills if turnover is reduced
- Cover you for lost profit
- Pay for additional costs incurred to enable you to continue trading

Normally, payment of a claim under this policy is conditional on your business being re-established. Apart from trading profits and the costs of keeping your business running while you re-establish yourself, Business Interruption insurance can also cover the cost of professional fees like accountancy and legal expenses incurred when preparing a claim.

Public liability and your business

Public liability insurance is an essential component of any insurance policy, protecting individuals and businesses for negligent actions which may result in property damage or bodily injury to a third party. It also covers related legal fees, costs and expenses.

The general public have an ever-increasing awareness of their rights after sustaining an injury, which has led to an increase in litigation against individuals, corporations and small businesses. Ironically however, this area of insurance protection is probably one of the least understood.

Public liability insurance operates to protect the policyholder if they have been negligent in causing physical bodily injury or damage to property. The settlement amount awarded to the injured party is influenced by the extent of injury.

To insure a claim is met, it's important that insurers have a correct understanding of the risk insured. A failure to provide relevant information or to misrepresent the risk can result in the claim being denied, reduced, or cover being cancelled.

Becoming NIASA accredited - an overview of the benefits



The NIASA Accredited (Nursery Industry Accreditation Scheme Australia) is a national scheme for production nursery growers. The scheme aims to promote best practices in the industry and provides members with an opportunity to grow their business. Becoming NIASA accredited can benefit your business in a number of areas:

1. Customers know that the product they buy from a NIASA accredited business has been produced under best management practices
2. Accredited media manufacturers have a marketing advantage for supply to NIASA production nurseries, which prefer accredited suppliers
3. Many government departments and large landscape contractors now prefer to buy from NIASA nurseries. NIASA accreditation is recognised and supported by many State/Territory Departments of Agriculture

Simply contact your State or Territory Nursery & Garden Industry Association or go to the NGIA website www.ngia.com.au to learn about how accreditation can benefit your business.



Insurance program benefits stem from being an accredited business

Obtaining a NIASA accreditation means that your business will receive a premium discount of up to 10% on the recently enhanced OAMPS' Nurserypac Plus product *. This is an Industry specific policy which has been developed by the Industry, for the Industry and provides the Industry with a higher level of protection at a cost-effective price.



**Subject to any minimum premiums and acceptable claims experience.*

More about Nurserypac Plus

Nurserypac plus provides a number of benefits not available to the general insurance market. Nurseries, wholesalers, garden centres and retail and commercial growers can now receive automatic hail and flood cover and protection for theft or damage to property and stock in the open air. The insurance protection is also extended to glass and shade houses.

OAMPS worked closely with NGIA to design this new product to provide the industry with insurance protection that reflects the main risks it faces.

OAMPS National Affinity Manager Tony Walker explains: "We developed an insurance solution designed to help our clients protect their livelihood and financially survive any insurable event. Particularly in these challenging economic times, having the right insurance cover is critical for businesses of all sizes."

In Summary - Insurance Q & A

1) Why must the number of employees be declared for the policy?

This is a method by which the insurer can assess the size and exposure of your risk. For example, a business operating with 10 employees at any one time would indicate that a large number of customers pass through the premises and the likelihood of a claim is therefore increased. The premium sought by the insurer would naturally be more than required for a business with only 2 employees.

2) Must I declare all my staff when insuring?

Premiums are based on the maximum number of employees working at any one time. E.g. If you employ 2 full time staff and 3 part-time staff on a roster basis, you only need to declare the maximum number employed together on any one day, i.e. at lunchtimes you may have 2 full-time and 2 part-time workers. Your declaration should therefore be based on 4 employees. If you work in the business as well, the number declared should be 5.

3) Why should I consider adopting a minimum public liability sum?

Claims settlements depend on the nature of the damage or injury. If a claim is in progress through the court system, the case duration may be several years. Bearing in mind the ever-increasing damages being awarded, the question a member must ask is "Is my sum insured adequate to cover future costs and legal fees?" A re-assessment of cover on a yearly basis is an important exercise. A person must also bear in mind that the level of cover available is per event, not per claim. For instance, if a shelf is overloaded and collapses injuring 3 customers, there is only one sum insured to meet all three claims (i.e. \$10,000,000 divided by 3) not \$10,000,000 each claimant. Any amount over and above the \$10,000,000 must be personally met by the insured.

Disclaimer:

Any advice in this paper is general in nature and prepared without consideration of your personal objectives, financial situation or needs. Before acting on the advice, you should consider if it is appropriate to your objectives, financial situation or needs.

You should obtain a Product Disclosure Statement (PDS) for the insurance and financial management products referred to in this paper

before you decide whether to acquire or continue holding the product.

NGIA partners with OAMPS Insurance Brokers to cultivate insurance for members that will ensure their business continue to grow.

For more information and advice about business interruption insurance, contact an OAMPS Insurance Broker on 1800 240 432.