

MSM Loss Management



**Specialists in
loss management
and quantum**

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MSM Newsletter

You can now be kept up to date with the latest MSM news, industry views and profiles from your Inbox.

MSM Newsletter

MSM email newsletter for clients and industry members covering:

MSM News:

Keeping you up to date with MSM's services and initiatives

Current Industry Issues:

Across the insurance, risk management, legal and construction industries

MSM training:

Details on MSM training programs and content

MSM profile:

A brief profile of an MSM consultant

MSM co-sponsor RMIA Conference

In November 2004, MSM will once again be one of the sponsors of the RMIA conference in Hobart. This will be the fifth year MSM have been a sponsor of the RMIA (formerly ARIMA) conference. The Hobart conference will no doubt be most successful, with over 400 delegates likely to attend the first RMIA conference. Presentations will be made by leading experts on risk management, security, counter-terrorism, insurance claims and underwriting. We look forward to seeing you in Hobart on November 14-17, 2004 and welcoming you to our exhibitor's booth.

In addition to the RMIA conference a number of the MSM team will be at the NIBA Conference and we look forward to the opportunity of catching up with you in Perth.

MSM Sponsored Golf Day

Earlier this year MSM sponsored a golf weekend with players drawn from a broad cross section of industries. This event is now in its fifth year and the organisers of the event were very pleased to have MSM on board as one of the sponsors for 2004.

This year's event was held at Horizons Resort, Port Stephens. Twelve golfers (and we use the term loosely in some cases) from NSW, Victoria and Queensland competed in Stableford and Stroke events over two days. One of MSM's often repeated views of ensuring that companies have Business Interruption Insurance that suit their specific needs had a living analogy in this golf tournament. All kinds of minor catastrophes



befell different players and contingency and recovery plans were put in place after falling foul of numerous hazards. At tournament's end, for the second year in a row the Stroke title went to a Victorian with the Stableford crown going to a New South Welshman.

The organising committee extended their thanks to MSM for their support in 2004.

MSM TRAINING UPDATE

MSM have continued to implement training programs for Brokers

MSM appreciate their opportunity to work within the insurance industry and give back to the industry the benefit of their knowledge through providing a range of training programmes.

Business Interruption training courses were run throughout Australia in September.

The two courses presented were for those brokers with a basic understanding of BI and those with a good grasp of the topic. Topics included setting sums insured, reading and interpreting financial statements, understanding the difference between accounting gross profit and gross profit for insurance purposes and dual basis payroll. Our experience has shown that as high as 70% of BI policies do not respond adequately or completely to provide full indemnity and that policy deficiencies are often due to a lack of understanding of fundamental elements of business interruption policies. We offer training courses each quarter, for information on course locations and times, contact **MSM on 1300 76 67 67**.

Dual Basis Payroll Update

In a 'hard' insurance market the dual basis payroll option is an attractive alternative in attempting to reduce Business Interruption premiums and produce adequate cash flow in the event of an interruption.

One key issue to address is the suitability of initial and remainder periods. The consolidation option should also be reviewed with a focus of maintaining an adequate level of cash flow. The calculation of initial and remainder periods requires a comprehensive pre loss analysis and should be linked to the assessment of the optimal Indemnity Period. Parameters need to be set, in particular, devising or reviewing a post loss plan with full consideration being given to the skill base and value to the business of categories of employees, employment contracts, stand down provisions, expected level of redundancy payouts and the overall HR environment applicable to the Insured's industry.

The Dual Basis Payroll initial period should be set at a level that is sufficient to cover both small to medium losses as well as allow sufficient time in the event of a catastrophic loss to implement all workforce rationalization measures. This will depend on the facts in each individual situation but experience shows that many businesses estimate too short a time for the 'initial period' and often fail to achieve savings during this period. In determining the remainder period, the critical component is assessing labour requirements. An accurate calculation of the percentage of labour that is fixed is essential. Further factors should be calculated such as the cost of labour required to "ramp up" the operation once repairs, rectification and reinstatement measures have been completed. The option to consolidate the two periods of cover for the initial period and the remainder period is then able to be evaluated from an informed position.

Does your Insurance Reflect your Business Continuity Plan?

Most organizations have back-up, contingency and disaster recovery plans in place to varying degrees, from simple off-site back-up of IT systems through to comprehensive business continuity plans (BCPs). The test of how robust those plans are is often only a matter of time.

The benefits of the efforts put into developing such plans are obviously lost if they do not respond as intended. Yet only a small percentage of organisations test the potential outcomes that may be realized once those plans are implemented. The best-laid plans may not deliver the outcomes expected and therefore testing those plans provides a means of assessing their effectiveness.

One way to test the adequacy of disaster recovery and business continuity plans is to run scenarios or simulations of the loss of critical assets or locations, model the expected outcomes and compare those outcomes against predetermined performance indicators.

One of the fundamental objectives of a business continuity plan is to ensure the organisation's critical assets or locations are restored and maintained as quickly as possible following a major disaster to enable the business activities of the organization to continue. Prioritising minimal levels of activities and outcomes can generate debate within an organisation. This is one reason why development of a business continuity plan and testing its components should be a team effort involving senior management, risk management, finance department, internal audit, insurance brokers, facilitators and engineering input from key operational areas.

MSM CONSULTANT PROFILE

Greg Sutton - Sydney

Greg has had in excess of twenty five years of professional experience and in excess of fifteen years in his own practice specialising in all aspects of business interruption, economic loss and litigation support.



Greg is one of the founders of MSM and since 1988 has specialised solely in providing all aspects of pre and post loss consulting services across the entire range of financial claims in particular business interruption and economic loss claims.

Greg has a proven track record of achieving the settlement of claims for which he is responsible. He maintains a direct involvement in the settlement of numerous complex claims including advanced profits, mining, construction, manufacturing and metal processing. The settlement of such claims involve close liaison with engineering and other related experts to gain a full understanding of the relevant operations.

Greg brings this experience to the training arm of MSM where he can provide numerous examples of Insured's (who remain anonymous or course) disaster recovery plans and insurance programmes that respond and those that do not.

He also acts for a number of legal firms providing litigation support and expert opinions and is registered with the Institute of Chartered Accountants as an expert in business interruption claims. He regularly appears in both the Supreme and District courts as an expert and has been directly involved in providing expert opinion in numerous mediation and arbitration matters.

MSM CORPORATE PROFILE

MSM Loss Management (MSM) is Australia's premier provider of business interruption, litigation support, claims management and related support services.

Services include preparation of economic and consequential loss claims, business valuations, policy reviews business continuity planning. The practice has focused on business interruption, economic loss consulting, forensic accounting and litigation support as well as providing training and compliance services. The MSM team has gained technical and practical experience through years of involvement in thousands of claims and litigated matters, across a broad range of industries, including mining, construction, metals and energy, manufacturing and transport. MSM has a multi-disciplined, professional team which includes chartered accountants and CPAs with experience across a diverse range of industries and organisations.

Claim Services

- Management, preparation, review and settlement of material damage, business interruption, advanced loss of profits, product liability and related claims requiring the establishment of quantum.
- Advice on business interruption cover including rights and obligations, policy response and a review of the adequacy of the sums insured.
- Timely advice, allowing informed decisions on critical issues such as recovery actions and options affecting the treatment of payroll.
- Claims management.
- Identification and quantification of economic losses.

Pre-Loss Consulting Services

The pre-loss consulting services include:

- Reviewing the adequacy of declared values, limits, sub-limits and indemnity periods.
- Establishing pre-loss procedures.
- Business continuity planning.

Litigation Support

- MSM undertakes assignments on behalf of major law firms, acts as expert witnesses, and provides expert opinion and advice in a broad range of matters across a variety of industries.

For more on MSM's services, visit our website at www.msmlm.biz

Your MSM Loss Management Contacts

MSM Priority Call 1300 76 67 67 **Visit** www.msmlm.biz

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