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# COVERING ALL BASES

With the Australian tourism industry on the cusp of major growth *Insurance Adviser* spoke to experts in the industry on how brokers can capitalise on the rush.

By Tanaya Das

## Headlines

- The tourism industry is booming, with international and domestic tourists pumping more than \$100 billion into the Australian economy last year.
- Growth areas are in gourmet tourism, glamping and small tailored tours, as well as seasonal events.
- Public liability remains a big area for the sector, followed by business interruption insurance; though cyber is becoming important.
- Brokers should develop relationships with specialist underwriters to better service clients in niche sectors.

Australia’s tourism industry is currently growing three times as fast as the rest of the Australian economy, according to the latest survey from Tourism Research Australia. International and domestic tourists pumped more than \$100 billion into the Australian economy last year, making it an attractive sector for upcoming businesses.

Australia’s dramatic growth in tourism has created a need for brokers to keep abreast of the risks and potential liability involved in operating in the industry.

Melissa Donaldson of Allsure Insurance with bases in Geelong, Victoria and Hobart, Tasmania says, “We as brokers have increased opportunities to make sure clients are fully insured against more possible outcomes, as many clients only take the basics of cover.”

In fact, Julie Pernecker, Director of All Parks Insurance, points out that having the right cover in place is a concern for holiday parks and underinsurance is a common occurrence.

## Liability and beyond

Public liability claims are common in the tourism sector, and this is a trend that brokers believe is unlikely to change in the near future.

Donaldson says, “We’ve seen more and more liability claims, many are simple trip and falls.”

Lyn Sickerdick from Managed Insurance Solutions says, “We always recommend people be extra aware of their public liability risks because that’s where the biggest claims tend to come from. For example, we’ve seen a claim where a bloke was attending a wedding, and fell off a log he wasn’t supposed to be on... which ended up to be a \$200,000 claim.”

But it can go beyond that. For example, she stresses that brokers should advise people who are thinking about setting up B&Bs, to be wary about things like supplying playgrounds for young children, and that pools and spas can create additional risks or insurance considerations even though they might be attractive to visitors.

Donaldson adds: “Having the right insurance can also cover the ‘products’ clients make (such as wine) and things like product recalls.”

## Business interruption beyond natural disasters

One type of cover that is vital but can often be a tough sell for brokers because clients don’t see the value of it until it’s too late is business interruption cover.

Only about 55 per cent of holiday parks take out business interruption cover, says Pernecker.

“Unfortunately businesses don’t see the value unless they have had a terrible experience. In the past and even now with Cyclone Debbie – the weather tends to hit the parks hard right before their peak times. Not having business interruption cover can often make or break a business,” she emphasises.

Donaldson often asks her clients pointed questions (see page 38) that help them understand the importance of business interruption insurance and how it could help them to keep their business running.

On the other hand, Sickerdick notes, “Our clients seem to be more aware of the impact of natural disasters, they do seem to happen more frequently than ever before and areas aren’t immune to multiple disasters. Therefore, business interruption is becoming more front-of-mind than ever before.” ■



### Seasonality

A lot of businesses in the sector are seasonal, with specific peak and off-peak times which is why taking a one-size-fits all approach to insurance is not really prudent.

For brokers to truly work with seasonal businesses it is important that they understand the concerns clients have.

Andrew Clarke, AJG Branch Manager from Perth, says, "Our clients are truly concerned that their turnover during the busy months is insufficient to sustain their business during the quieter months.

"We have had some clients cease trading in less than two years of being in business, which is one of the unfortunate downsides of being reliant on seasonal trade.

"Although the tourism industry is set to continue to boom in 2017, many of our clients are yet to experience a significant increase in their tourist numbers or revenue," says Clarke.

Donaldson understands that insurance can be considered a 'grudge purchase' for smaller, seasonal businesses, but she insists on telling clients that risk cover helps if events arise that would normally decimate a business.

To combat the reluctance to invest in insurance she tries to give real-life examples to clients, such as: "What if your café is damaged by a storm and you can't open due to the rain coming in the ceiling and ruining the kitchen, food prepped and the contents. How will you operate? How will you pay staff/retain their services, after all they took a long time to train and you don't want to lose that. The bank will still want their loan paid."

### Gourmet tourism a growing niche

Food and wine tourism along with other niche sectors like Aboriginal tourism and 'glamping' are growing sectors seeing a lot of investment.

Recent research conducted across 15 of Australia's key tourism markets, by BDA Marketing for Tourism Australia, shows that 'great food, wine, and local cuisine' is a now a major factor in holiday decision making.

And local wineries are riding that wave. Donaldson of Allsure says, "From my observations many wineries are family-based businesses, often run by the husband and wife and their children, and as with any family business there are the risks, associated with replacing 'key' people.

**“It is difficult to obtain insurance for niche markets through mainstream insurers so it is good to deal with specialist underwriters who cater specifically for these clients.”**

Joanne Carucci, Joe Vella Insurance Brokers

"Putting together a good insurance solution, including things like key person insurance, good life policies, management liability, D&O insurance, natural disasters, and business interruption helps to position the business to financially survive."

Beyond the gourmet food tourism trail, Clarke says he is noticing an increase in the number of new start-up tourism companies, particularly sole traders offering tailored tours for smaller group sizes. "Small businesses may overlook protecting themselves and their business assets against loss due to the high relative insurance costs involved when starting up".

And this can be a challenge for brokers too. Joanne Carucci from Joe Vella Insurance Brokers points out: "It is difficult to obtain insurance for niche markets through mainstream insurers so it is good to deal with specialist underwriters who cater specifically for these clients."

### Small towns with big potential

The Australian Regional Tourism Network states that almost half of every dollar spent on tourism in Australia is spent in regional destinations. A lot of regional areas and towns are seeing growth and prosperity based on regular influx of tourists whether it is for a certain season or for an event.

Sandra Stevenson from GS Insurance located in Trundle NSW says, "Tourism, travel and hospitality risks aren't limited to the usual beach and winery destinations in Australia. Here in Trundle, NSW, our town grows by more than ten times its size for our annual ABBA Festival (6 May this year)."

She elaborates, "Also, our neighbours to the north, Tullamore, NSW, usually stages its Irish Music Festival at Easter. Events like these for regional Australian towns can make a huge difference to the financial wellbeing of the town and businesses within it, but there are also risks to be aware of that are associated with tourist drawcards like this." One of the very real risks in Australia is a disaster or severe weather event occurring that prevents festivals like these from going ahead.

"A cancellation doesn't just impact the event organisers, but it filters down to the local businesses as well," says Stevenson. ■

### Increased cyber risk

With many travel and tourism operators doing business over the internet, the increase in cyber-related events is a genuine concern. Data breaches, system hacks and malware risks have the potential to put tourism companies either temporarily or permanently out of business.

Aimee Murphy, Account Executive from AJG says, "We are finding cyber insurance is something our clients are considering more when they review their broader insurance requirements".

Donaldson states: "More automation and technology bring increased risks, with more businesses selling online and having a web presence, nearly every business faces at least some level of cyber risk".

Sickerdick says there's slow take up of cyber insurance covers, but she is trying to get clients to pay attention because there have been a number of attacks impacting local tourism and hospitality businesses.

"We've seen denial of service attacks, where local businesses have their website or emails held hostage. Some have paid and gotten access again (after sometimes a second increase in the ransom price), and others have lost their emails or website functionality altogether. It can and does happen and we hope that even in our regional areas people will start to mitigate and insure against this risk."

Cyber is fairly new to the caravan park industry, according to Pernecker: "Most parks use an online booking system and guests can make their own bookings over the internet so they are definitely exposed to cyber-attacks and should be looking into this cover more".

Overall Donaldson's mantra to her tourism clients is: "Good insurance will have you up and running in no time, and cover for business interruption shall keep your head above water in the meantime."

"It is prudent that businesses review their insurance every year with their broker or Authorised Representative. Ensure that they take time to sit and have a chat and treat it like a visit to an accountant or bank manager. Insurance is important," she says. ❏



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Melissa Donaldson, Allsure Insurance

## SIX THINGS BROKERS NEED TO KNOW

**1** Public liability insurance: Brokers should be talking to clients about public liability policies based on things like risk mitigation and breadth of coverage.

Ask questions such as: Do you have the right cover? Do you have the public on site? Do you attend trade shows, markets or festivals? Tell them having the right insurance can also cover things like product recalls.

**2** Brokers need to become trusted advisers who work with clients to ensure that nothing interrupts their business.

Ask questions like: Can you afford to replace your business assets in the event of an accident / extreme weather

event? If there was a fire, could you continue to run the business? What would be involved in setting you up again, while things were being rebuilt? What if the fire wasn't on your property, a close bush fire causes all the power to be out for weeks as the poles and lines are reinstated, how would you manage?

**3** Talk about the balance between excess and premiums. Tell them the right advice can help find the 'sweet spot' between increased excess and the money saved on premiums.

**4** Brokers need to play an active role in finding specialist underwriters, identifying

exceptions within policies and push insurers to meet unique client requirements that niche businesses may have.

**5** Brokers can use the general lack of understanding about insurance to differentiate their services and build trust. Talk about matching the unusual characteristics of the business to the appropriate margin of safety when determining the coverage requirements.

**6** As with any other segment, details and face time matter. Going over to the property, sitting down and pointing out risks is better than just sending a quote over email.