

FOR CEO'S & BUSINESS LEADERS IN MEDICAL SERVICE - SPECIALIST PRACTICE MEDICAL CLINIC



INSURANCE RISK REPORT.



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1. ABOUT LMI GROUP

LMI Group is an independent company specialising in risk assessment for the general insurance and wider business communities. The LMI RiskCoach research team has over 1,000 years combined experience in assisting businesses following losses. Using this enormous bank of knowledge the team has developed RiskCoach to assist businesses and their insurance advisers understand the specific risks in up to 14 classes of general insurance for their industry / occupation before a claim occurs. LMI believe that insurance should be considered as protection and not a cost. The cost of insurance, called a premium, is the cost of transferring the risk from the shareholders and their families to an insurer.

Should you have any questions about this report please discuss them with your insurance adviser or email expert@LMIGroup.com enclosing a copy of your report. If you need claims assistance, please email claims@LMIGroup.com for expert assistance.

2. PURPOSE OF THIS REPORT

The Insurance Risk Report has been designed to assist you in identifying significant exposures to a business operating in your industry. Contained within this report is a Hazard Index graph which considers both the likelihood and severity of losses over 14 insurable classes of insurance for your industry and rates them accordingly. This graph is complemented with a number of explanations giving rise to the factors considered when providing the rating. If it is not already included in this report, you may request your Insurance Professional to provide you with a list of significant exposures relevant to your industry. These exposures are useful to highlight the most likely and severe risks to your industry and potentially your business and to get you thinking about other areas that may be at risk.

Please note: These ratings have been developed using historical claims and loss data for a general business operating in this field. It is recommended that additional factors specific to your business be taken into account when assessing this information such as location and crime rates.

3. HAZARD ASSESSMENT

Identifying hazards in the workplace involves finding things and situations that could potentially cause harm to the organisation. The following chart is a graphical representation of the likelihood and severity of a loss occurring within any of the classes of insurance listed in the chart.

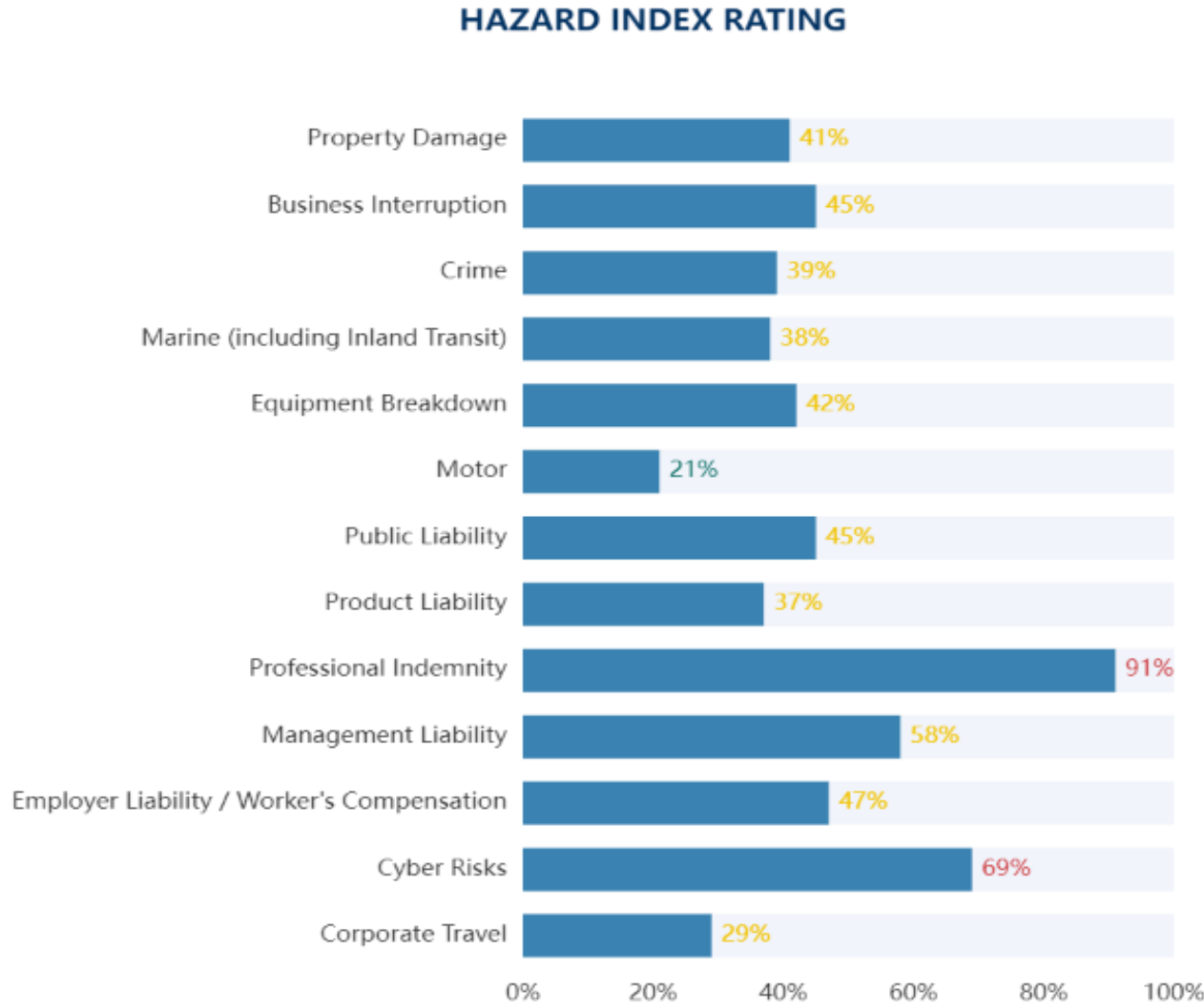


Fig 1: Hazard Index

Please note: These ratings have been developed using historical claims and loss data for a general business operating in this field. It is recommended that additional factors specific to your business be taken into account when assessing this information such as location and crime rates.

PROPERTY DAMAGE

41%

CLASSES OF INSURANCE

RISK SUMMARY

Generally, the fire risk and fire load for this occupation will be relatively low. However most specialist medical practitioners will have expensive medical equipment (according to their specialisation) in the premises and the cost of this equipment increases the overall rating as claims, if any, could be severe. The main ignition sources associated with this occupation will be faulty wiring and malfunctioning special medical / electrical equipment, autoclaves, heaters and kitchen appliances and boilers. Fire load is generally limited to furniture, fixtures and fittings and consumables (e.g. alcohol for sterilisation and cleaning materials) the potential presence of hazardous chemicals including anaesthetics, oxygen cylinders etc may increase the fire load and risk.

BUSINESS INTERRUPTION

45%

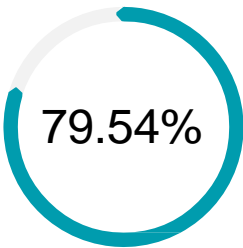
CLASSES OF INSURANCE

RISK SUMMARY

Most specialist medical practitioners will either own or lease rented space close to a hospital; in either case this is relatively unspecialised. Alternative premises are likely to be easily located (except for close to large Hospitals) although some renovations/adaptations will be required which could extend the period required to complete the new practice building. The major risks to consider are loss or damage to specialised medical equipment, and the loss of patient records, which can be managed with good backup and storage procedures. Sensitive and expensive medical equipment may take a considerable time to replace in some cases. However most specialists will also have arrangements with local hospitals at which they perform surgery or consultations, and should be able to make alternative arrangements.

INDICATIVE RATE OF INSURABLE GROSS PROFIT

The Indicative Rate of Gross Profit Percentage shown below is provided as a guide to assist you in determining the adequacy of your Business Interruption sum insured / declared value. To test the adequacy of your insurance, simply apply the rate to your business's Annual turnover figure. The result of the calculation will reflect an indicative Insurable Gross Profit value for a 12-month period based on your industry's average.



Rate (%)
Country: Australia

How to apply the rate
 $\text{Turnover} \times \text{Rate} = \text{Indicative Sum Insured (up to 12 months)}$

In the event you're electing to set a maximum Indemnity Period (period of cover) greater than 12-months the *Insurable Gross Profit* value needs to be proportionately increased. That is, a multiplier needs to be applied to the result. For example, if you have chosen an 18-month (1.5 year) indemnity period, multiply the results by 1.5, for 24 months (2 year) multiply by 2 etc. This process only applies to indemnity periods greater than 12-months. In the event you opt to insure for a period of less than 12-months no multiplier is to be applied to the 12-month Insurable Gross Profit value.

Please note: The results of the calculation are to be used as a **guide only** providing a quick adequacy check your insurances. The rates have been developed though the averaging of data gained though industry analysis. While the results provide a confidence check it is important to note that no two businesses are identical and just as importantly no two insurance policies are the same. As such, we always recommended that a professional analysis and calculation be conducted using your most recent financial statements. Should you wish to learn more about Business Interruption, please visit our free resource available at: www.biexplained.com.

CRIME

39%

CLASSES OF INSURANCE

Theft, Money, Surety / Fidelity

RISK SUMMARY

There could be a moderate cash exposure although most payments are likely to be made by cheque or credit card and through Medicare or Health insurance billing systems. Losses of pharmaceutical/medical stock may occur from burglary, robbery, and employee dishonesty, but it is not likely that particularly large quantities of medicines will be kept on site in most cases. For the most part equipment is not attractive to casual thieves.

MARINE (INCLUDING INLAND TRANSIT)

CLASSES OF INSURANCE

38%

Marine Cargo, Goods in Transit, Marine Consequential Loss, Commercial Hull, Carriers Insurance, Marine Liabilities

RISK SUMMARY

There is unlikely to be any significant marine risk for this occupation. However, as with any office or profession, this industry may have occasional/incidental marine cargo risks, which should be investigated. Incoming supplies of medication, specialised medical equipment or consumables may present an exposure depending on sale terms.

EQUIPMENT BREAKDOWN

CLASSES OF INSURANCE

42%

Machinery Breakdown, Engineering, Mobile Machinery, Computers, Electronic Equipment, Machinery Business Interruption

RISK SUMMARY

Moderate exposure similar to most office risks unless the insured has specialised medical equipment which will increase the exposure. The frequency of maintenance and electrical testing may be compromised by the demands of the business and lack of availability of alternative machines. This aspect may be worth investigating.

MOTOR

21%

CLASSES OF INSURANCE

Commercial Motor, Earthmoving Equipment, Motor Fleet, Heavy Motor

RISK SUMMARY

It is quite possible there are no vehicles owned or operated by the business; specialist medical practitioners often use their own private vehicles for hospital calls, if any and picking up supplies. Generally frequency of use and distance travelled would be low, but use of employee vehicles could create a vicarious liability exposure.

PUBLIC LIABILITY

45%

CLASSES OF INSURANCE

Public Liability, Advertising Liability, Environmental Liability, Liquor Liability

RISK SUMMARY

Moderate hazard rating, based on the number of visitors, and possibilities of slips and falls in waiting rooms, car park incidents, exposures to infectious diseases from other patients etc and inadequate hygiene. Most visitors will be controlled through an appointment system – this will limit numbers. If there is a children's play area with toys this will increase the potential exposure. One significant area of exposure relates to privacy. The confidentiality of patients' records must be maintained. There may be an Environmental Liability exposure arising from the disposal of medical waste. Waste disposal should be investigated.

PRODUCT LIABILITY

37%

CLASSES OF INSURANCE

Product Liability, Product Recall, Product Guarantee, Extortion, Kidnap and Ransom

RISK SUMMARY

Most claims will arise under professional indemnity/ malpractice and relate to treatment risks or advice. There is an exposure arising from the possible dispensing of medicines or medical supplies

(e.g. supports, crutches etc) to patients, which could result in side effects and personal injury.

PROFESSIONAL INDEMNITY

91%

CLASSES OF INSURANCE

RISK SUMMARY

Malpractice claims, although generally infrequent, may be severe. Any mistake/negligent act in diagnosis, surgery, dispensing or prescribing medication or a course of treatment may result in serious and possibly life threatening consequences. Because the insured is specialised in a particular field of medicine and will perform surgery, the exposure is considerably higher than a general practitioner. Professional Indemnity is an essential cover for this occupation.

MANAGEMENT LIABILITY

58%

CLASSES OF INSURANCE

Directors and Officers Liability, Employment Practices Liability, Statutory Liability, Crime, Cyber / Internet Liability, Taxation, Trustees

RISK SUMMARY

Low to moderate exposure depending on the size and the nature of operation. Examples of possible claims / exposures under each insurance class may include:

- Directors and officers - false, misleading and deceptive conduct, not acting in the best interest of shareholders, breach of trust, misappropriation of business funds, errors and omissions in financial reports, breach of intellectual property rights, mixing personal and business assets, unfair treatment of shareholders, unfair trading activities, unfair competition, insolvent trading, mismanagement of cyber risk exposure, breach of contract, failing to provide adequate training and supervision/ a safe environment for work etc. Increased regulations have heightened the operating risk for businesses of all sizes. Furthermore, with a fast-changing regulatory environment, directors are often unaware of their full legal responsibilities. Directors and officers have duties and obligations, for which they are personally responsible, some of which may carry unlimited personal liability.
- Statutory Liability - breaches of legislation and non-compliance - e.g., occupational health and safety (OHS) laws, public health and wellbeing law /legislation, legislation related to licensing and registration requirements, standards of care, medical malpractice liability, privacy and confidentiality of patient information, environmental regulations, financial

market misconduct, etc. Non-existence of adequate compliance and control measures can be an issue (if applicable). Businesses are exposed to hundreds of pieces of legislation and the cost to a business of a simple regulatory breach /investigation can be considerable.

- Employment Practice Liability - allegations of unfair/wrongful dismissal, workplace harassment, bullying, sexual harassment, discrimination (e.g., age, racial, sexual, religious, disability, etc.), failure to maintain a safe workplace / working environment, breach of contract / employment contracts etc. Other issues may include - possible presence of casual or trainee personnel, long working hours (if applicable), inadequate level of supervision etc. Employees are much more aware of their rights at work and are prepared to pursue claims against their employers. Hidden costs of employment practice liability related problems include – negative publicity, damage to reputation and goodwill, loss of productivity, stress to both the employer and employee etc.,
- Cyber/Internet Liability - breach of privacy/security, inadvertent transmission of a computer virus, deleted or stolen data following hacking, damage to network, system or website, plagiarism, copyright infringement, publishing of a defamatory statement, cyber extortion / ransom demand. Inadequate privacy/security compliance through procedures and systems, poor management of large volumes of personal/corporate data are other common issues. These incidents can result in financial losses, reputational damage, and legal and regulatory consequences for the business.
- Crime - employee or third-party crime, including theft of money and property, fraud by internal collusion, employee fraud by collusion with suppliers, theft by contractors/consultants, fraudulent funds transfer, counterfeit fraud, forgery, credit card fraud, social engineering fraud etc. Higher exposure for medical practices with inadequate controls in place.
- Taxation - non-compliance with taxation legislation / not meeting certain tax obligations, failure to keep records, poor accounting and monetary management, mistakes while filing tax returns of the business, asset misappropriation (physical and financial) etc. Potential costs for such breach include e.g., taxation and government audit investigation costs, penalties for breaches of taxation legislation.
- Trustees - inappropriate investment strategy, failure to monitor fund performance, failure to prevent fraud, failure to insure trust property, conflict of interest, incorrect advice, incorrect payments etc. Other common issues may include - failure by trustees to discharge their obligations to the required standard, not acting in accordance with the trust deed and common law and legislation, lack of or no established governance & risk management framework etc.

The range of lawsuits being pursued against business owners/operators by employees, shareholders, creditors, regulators, customers or others are on the rise and the cost to a business for a simple regulatory investigation can be substantial. For many businesses, defence costs and other claims costs can be a significant financial burden.

EMPLOYER LIABILITY / WORKER'S COMPENSATION

47%

CLASSES OF INSURANCE

RISK SUMMARY

A specialist medical practitioner will have a moderate exposure depending on the size of the operation. Generally, administration/office employees will be exposed only to normal office hazards, but medical practitioners and medical support staff are potentially exposed to infectious diseases including blood-borne pathogens such as hepatitis B virus (HBV), hepatitis C virus (HCV), and human immunodeficiency virus (HIV). Exposures occur through needle-stick incidents, from sharp instruments contaminated with an infected patient's blood or through contact of the eye, nose, mouth, or skin with blood.

CYBER RISKS

69%

CLASSES OF INSURANCE

RISK SUMMARY

- Businesses are becoming more and more dependent on digital technology/integrated IT systems;
- Security/privacy breach - presence of large volumes of sensitive personal and cooperate data; patients' personal information can be a specific target - e.g. medical files, personal health care information; billing and insurance records, payment details etc.;
- External hacking attacks, internal negligence, deliberate acts, system glitches etc.;
- Cyber-attack vulnerabilities – increasing use of connected medical devices/remote monitoring devices (e.g. activity trackers, pacemakers, ECG monitors/scanners, glucose trackers, otoscopes, algorithm-based symptom checkers, insulin pumps, mobile apps etc.) for primary care and chronic disease management. Also, potential repercussions of a hacked medical device could be devastating e.g. patients could be harmed or killed by compromised devices;
- Electronic data/software loss and replacement cost following a cyber-attack;
- Electronic media liability - including invasion of privacy, libel or slander, infringement of copyright, title, slogan, trademark or service names including domain names, false advertising etc.;
- Business interruption/increased in cost of working following a cyber-attack;
- Cyber-threat from interconnected supply chain business partners/outsourced services providers;

- Internal control and other issues – e.g. non-segregation of sensitive data, inadequate user access control/password protection, outdated POS software applications, absence of up to date antivirus software/firewalls, unencrypted data/information/lack of end-to-end encryption;
- Presence of poorly protected medical endpoints and personal health devices create getaways for cyber criminals and exposing personal medical information/creates patients' life at risk;
- Denial of service attack upon insured's computer system/website;
- Cyber extortion/demand ransom - threats to destroy or corrupt the insured's website, intranet, computer system;
- Default passwords in medical devices. Some health care service providers keep default passwords on various medical devices;
- Possible presence of older devices/medical devices/computer systems with outdated operating systems and unsupported software;
- Possible presence of older medicals devices - hackers increasingly take advantage of security lapses on such embedded devices;
- Internal control issues - Inadequate training for employees on data security/privacy/cyber risk. No or inadequate background checks conducted on employees/various service providers/suppliers etc.;
- Compliance and control issues - No or inadequate policies, procedures and protocols on cyber security and related matters (if applicable);
- Bring your own devices (BYOD), download and install personal, or unauthorised software, use of USB or other media devices;
- Extra expenses following a cyber incident including forensic investigation costs, crisis management expenses, notification and monitoring expenses, remediation expenses and other extra expenses association with a loss;
- Brand and reputational damage following a cyber-attack/data breach;
- Security lapses in company web-sites – cyber threat to own hardware and software; cyber threat to visitors to the website;
- Lack of security measures including a combination of technology (e.g. IT security) and physical security at the premises. Security and access control lapses in computer and server rooms;

CORPORATE TRAVEL

29%

CLASSES OF INSURANCE

RISK SUMMARY

Exposure will vary considerably depending on the various factors including - number of persons travelling in any given year, the frequency of travel, staff designations, the numbers travelling together (accumulation), destinations (local/overseas), reasons for travel / nature of work undertaken, issues/risks/hazards, that can affect an employee's health, safety and security whilst travelling, transport mode, staff's fitness to travel /work abroad, previous travel experience, specific health risks at the destination, availability of reliable emergency services etc. Therefore, given hazard rating to be further assessed, considering the above factors in mind. Other main risks for this industry category may include:

- Travel staff are unlikely to be involved in worksite activity and will usually be visiting offices or attending conferences, training or trade events etc.
- Increase risk due to political, social and economic volatility/instability in many parts of the world
- Developing countries/remote locations - non-availability of appropriate medical services, transport challenges with access during a medical emergency / evacuation difficulty / reduced access to adequate infrastructure for medical attention.
- Inadequate pre-trip risk assessment, education and preparation
- Security related issues/concerns in some locations/countries – terrorist attacks, civil unrest/war, kidnap and ransom, harassment etc.
- Traveller falling ill while abroad, delayed flights, losing passport, accommodation mix-ups, local language barriers, as well as exposure to disease, natural disasters and technology failings
- Health and safety issues / concerns - contagious disease, insect-borne diseases, human influenza, swine flu or bird flu, virus/ Infectious disease outbreak, there are many unknown health threats as well.
- Travelling with company owned equipment; risk to data carrying equipment/loss of baggage /passport
- Poor or inadequate travel risk management strategy for travelling staff
- Legal Risks/Risks to reputation/Illegal activity by travellers - Breaching local laws and customs, misbehaviour by travelling employees/ unethical conduct by employees, non-compliance with regulation.
- Fly-in-fly-out jobs, long distance road travel - road accidents are a common cause of death and injury of both local and overseas travellers
- Transport and related issues / concerns – flight/tour cancellation, flight delay, miss of a connecting flight, traffic accidents, poor safety standards of transport/public transport / self-driving immediately after long-haul flights

- Business travellers usually stand out from the local population as different, making them a target for criminals and terrorists
- High cost/expenses associated with – worldwide assist, search and rescue, overseas medical expenses.
- Also refer to Employer Liability/Worker's compensation.

4. WANT MORE CERTAINTY AROUND YOUR BUSINESS RISK...REACH OUT

4Sight Risk Partners was built on a singular truth – that no two clients' business are the same, yet all should feel confident in managing their business with knowledge and certainty around risk.

Our clients secure a strategic advantage from their qualified risk profiles and quantified risk appetite. They leverage our 75 years of global risk and insurance expertise, navigating uncertainties and opportunities with confidence. Operating within our 4Sight Risk Partners 'IQ-ARTA' framework, our clients implement effective tailored risk management solutions.

4Sight Risk Partners collective strength, choice, and value, along with Insurance Advisernet's network, constitutes our greatest asset. 4Sight Risk Partners give our clients confidence and greater clarity around risk and insurance, despite its complexity. We provide trusted advice and advocate for our clients as their valued business partner.

To find out more go to www.4sightrisk.com.au or reach out.



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