

CEO'S & BUSINESS LEADERS

CARTAGE CONTRACTOR



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 identify significant exposures for 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 Advisor 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.

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.

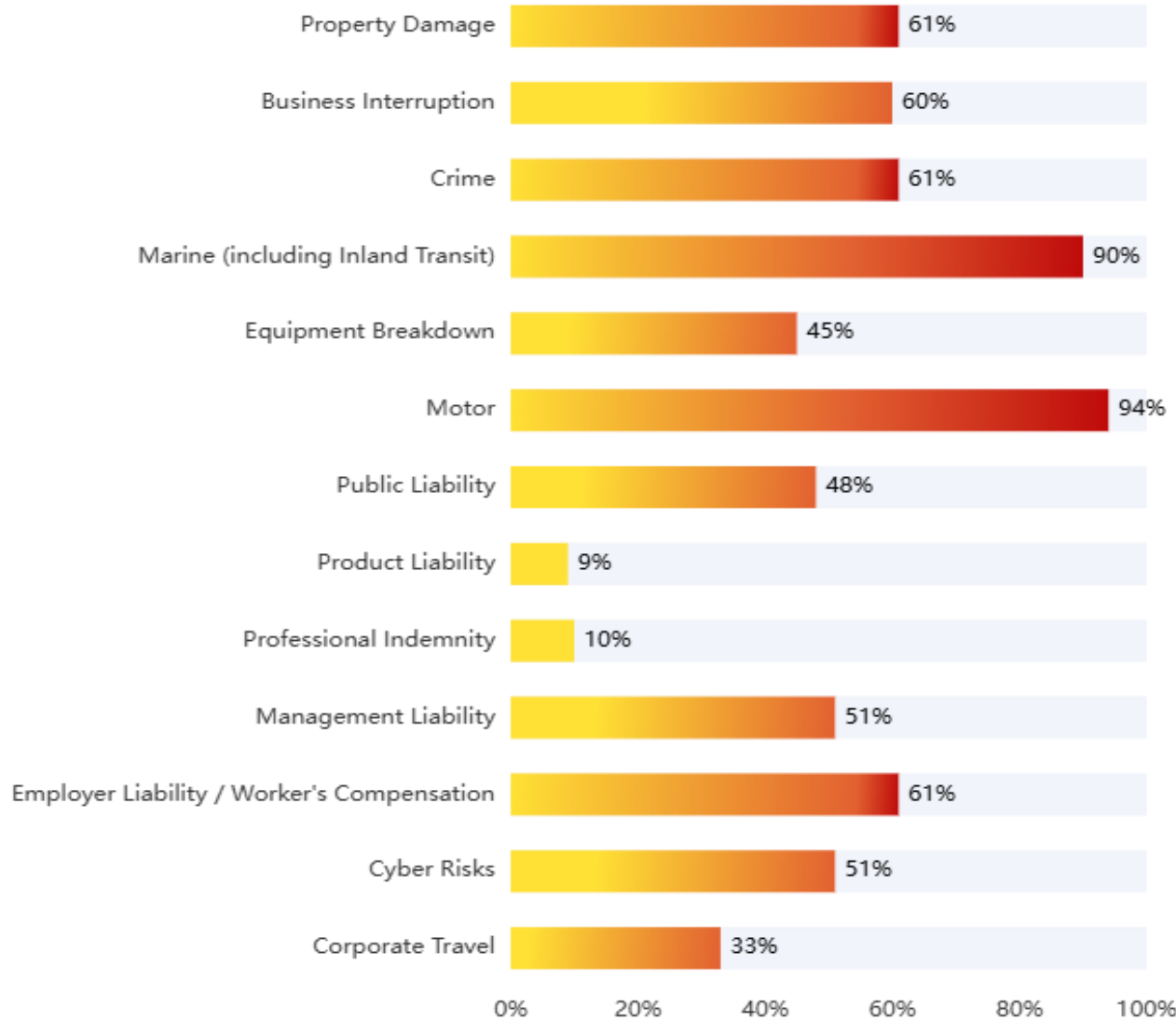


Fig 1: Hazard Index

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

Classes of Insurance :

61%

RISK SUMMARY

Property Damage exposure will vary from very low, for individual owner-drivers, through to high for freight/transport depots which offer storage/warehousing and ancillary services such as cafeterias, repair/service centres and fuelling for drivers. The underwriter/assessor will require a full listing of premises, together with activities conducted at each to assess the exposure. The type of goods transported and stored by logistic operators is an important consideration.

Business Interruption

Classes of Insurance :

60%

RISK SUMMARY

Business interruption exposure will be medium to high. In addition to the potential for severe damage to the insured's vehicle fleet at the depot, there is the interruption arising from loss of warehousing or storage facilities to consider. Space requirements reduce the possibility of relocation/temporary rental of alternative premises. Office buildings/communication centres are not specialised and may be quickly relocated to alternative premises. Ancillary functions such as cafeterias, repair facilities, parking and fuelling at the depot can be outsourced. Another major consideration is the time required to replace communications equipment and loss of data.

Crime

Classes of Insurance : Theft, Money, Surety / Fidelity

61%

RISK SUMMARY

Crime risk is generally high for this occupation, but the critical issue is of course the type and value of customer goods stored or handled at the facility. Major sources of loss include: theft of customer's goods and loss of property belonging to the insured at the premises (office equipment etc. Fidelity is a particular issue for this occupation and may be difficult to control for larger occupations employing sub-contractors on a regular basis.

Marine (including Inland Transit)

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

90%

RISK SUMMARY

Transport operators will have a requirement for a carrier's insurance program possibly including a combination of a carrier's liability cover based around their written terms and conditions of cartage and a "Goodwill" type cover (e.g. Nominated Client's cover to protect their commercial relationships.). They may also have a requirement for cover for their own goods e.g. spare parts, consumables, fuel etc. Exposure for customer's goods will clearly vary considerably with the type of goods transported and also contract terms.

Equipment Breakdown

Classes of Insurance : Machinery Breakdown, Engineering, Mobile Machinery, Computers, Electronic Equipment, Machinery Business Interruption

45%

RISK SUMMARY

The main risks for this occupation are breakdown of goods handling equipment, computer and communication equipment, interruption of public utilities causing interruption of communications, breakdown of refrigeration machinery in cafeterias (where applicable) resulting in loss of stock and breakdown of security systems, cameras etc. If the insured is a depot with a fuel supply, maintenance or repair facility, there may also be a variety of repair machinery, equipment and tools (where this function is not outsourced) to consider.

Motor

Classes of Insurance : Commercial Motor, Earthmoving Equipment, Motor Fleet, Heavy Motor

94%

RISK SUMMARY

The exposure for this class is extreme. Long distance trucks suffer a high accident rate, contributed to by a number of factors including the amount of time on the road, the generally low rates of pay and heavy competition, the size and radius of operations, driver fatigue and vandalism at the depot. The nature of goods and safe storage and handling of the same are also important considerations. Caution is required where the fleet transports dangerous goods. Good fleet management and safety policies, as well as regular maintenance of vehicles are essential.

Public Liability

Classes of Insurance : Public Liability, Advertising Liability, Environmental Liability, Liquor Liability

48%

RISK SUMMARY

Exposure is moderate for this class. Customers and visitors to the premises will be generally quite limited. However, there could be a regular exposure for non-employed/sub-contracted drivers at the premises. These may be, to all intents and purposes, visitors to the premises and may be able to claim on the insured for personal injury etc. The contractual position between the company and its non-employee drivers should be understood to assess the exposure. There will also be a considerable exposure during loading/unloading operations at consignee/consignor premises.

Product Liability

Classes of Insurance : Product Liability, Product Recall, Product Guarantee, Extortion, Kidnap and Ransom

9%

RISK SUMMARY

Generally there will be a limited exposure for this class from, for example, corporate giftware. The exception is transport depots offering various ancillary services to non-employed drivers e.g. from food contamination, supply of contaminated fuel or faulty repair work/parts. In such cases however, the risk could be considerable. These ancillary services may be out-sourced in which case the operator's potential liability will be determined by the contract terms with the suppliers.

Professional Indemnity

Classes of Insurance :

10%

RISK SUMMARY

Rather than a Professional Indemnity cover, a transport operator would normally consider an E&O cover with an operative clause not limited to actions arising from breach of "professional duties" (see E&O cover under Management Liability). However, there could be a specific contract requirement for this cover.

Management Liability

Classes of Insurance : Directors and Officers Liability, Employment Practices Liability, Statutory Liability, Crime, Cyber / Internet Liability, Taxation, Trustees

51%

RISK SUMMARY

The management liability exposure for this occupation will vary depending on the size of the operation, nature of work performed, operational and business practices along with the risk profile of the business. Examples of possible claims / exposures under each insurance class may include:

- 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 part-time/ casual workers, long working hours, 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.,
- Statutory Liability - breaches of legislation and non-compliance - e.g., occupational health and safety laws, vehicle regulations, road safety / road management regulations, 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.
- Directors and officers - false, misleading and deceptive conduct, not acting in the best interest of shareholders, breach of trust, misappropriation of company funds / trade secrets, errors and omissions in financial reports, mixing personal and business assets, unfair treatment of shareholders, unfair trading activities, unfair competition, insolvent trading, 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.

- 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, fraudulent funds transfer, counterfeit fraud, forgery, credit card fraud, social engineering fraud etc. Higher exposure for businesses with inadequate controls in place.
- 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, infringement of copyright, 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.
- 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 claims/lawsuits being pursued against business owners/operators by employees, shareholders, regulators, creditors, customers or others are on the rise and the cost to a business for a simple regulatory investigation can be substantial. Claims costs and associated legal/other fees (investigation cost, defense cost, civil fines & pecuniary penalties, public relations expenses etc.) that can arise when an incident occurs can be a serious financial burden for the business.

It should be emphasised that Management Liability insurance is designed to meet specific needs of small to medium sized companies and not for very large organisations. Further insurance coverage and limits offered under each policy will vary from insurer to insurer.

Employer Liability / Worker's Compensation

Classes of Insurance :

61%

RISK SUMMARY

Many drivers may not be company employees and could work on a contract basis. In general contracted employees are not covered under worker's compensation schemes. Other employees may be exposed only to office type risks. The exposure will vary significantly depending on the tasks performed. With drivers obviously the main risk is from motor vehicle accidents and good risk management and fleet management procedures (see motor) will be the best protection. Office/dispatchers/communications staff, warehouse staff and ancillary services (fuel, food and repairs) staff will face a different range of hazards. Refer to write up for further details.

Cyber Risks

Classes of Insurance :

51%

RISK SUMMARY

- Dependency on - interconnected operation/integrated IT systems, electronic navigation etc.;
- Security/privacy breach - presence of large volumes of sensitive personal and cooperate data;
- External hacking attacks, internal negligence, deliberate acts, system glitches etc.;
- Electronic data/software loss and replacement cost following a cyber-attack;
- 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;
- Possible presence of older devices/computer systems with outdated operating systems and unsupported software;
- Businesses held to ransom before systems are released;
- Cyber extortion/ransom demand – denial of service attack upon computer systems/locking of business computer system through ransomware attack and demand a release fee;
- Lack of security measures including a combination of technology (e.g. IT security) and physical security at the premises.

Corporate Travel

Classes of Insurance :

33%

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:

- Some travel staff may perform hazardous activities (sometimes remote locations/unsafe worksite/s) which may require a high level of physicality and use of heavy equipment.
- Other 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
- 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.
- 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
- Also refer to Employer Liability/Worker's compensation.

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

4Sight Risk Partners delivers value to our clients by securing benefits through the expert management of risks. With over 75 years of global risk and business expertise, our [proprietary IQ-ARTA Framework](#) provides qualified risk profiles and quantified risks, empowering clients to make confident, informed decisions. Leveraging a global network—including subject matter experts and leading insurers like Lloyd's of London—we deliver tailored, practical solutions to tackle diverse challenges across industries.

We are dedicated to delivering exceptional service and building long-term partnerships, strengthened by Insurance Advisernet's award-winning network. With trusted advice and unwavering advocacy, we provide clients with clarity, confidence, and are proud to uphold a 97% client satisfaction record.

To find out more go to <https://4sightrisk.com.au> or reach out to discuss your unique business.



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