



# Insurance Insight

Insurance Industry News and Views from EBM

May-June 2010

## Welcome message

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Welcome to the May-June edition of *Insurance Insight*.

As I write, debate rages over the Government's controversial proposed resources 'super tax' and a Federal budget that promises a quicker-than-expected return to surplus and lower net debt. Some industry leaders are disappointed by the budget's lack of planned infrastructure spending and concerned that the proposed resources rent tax could actually play havoc with the economy.

And the Federal Government's highly-anticipated response to the Henry Tax Review has also been met with mixed opinions from the Australian business community.

Whatever side of the fence you sit, it's healthy to see a wider cross-section of the community involved in debate over issues that affect all of us – which brings me to this edition of *Insurance Insight*.

Adding to the recent wave of Federal reforms, are changes to Australia's financial services industry. We look at how these reforms aim to improve confidence in the sector and how EBM can assist you and your company to successfully plan for your financial future.

We also look at the pros and cons of an emerging advertising trends – social network marketing and how you can protect your organisation's assets when a scandal breaks.

As always we are keen to hear your thoughts and ideas for issues you would like to see covered in *Insurance Insight*. Please email your suggestions to [marketing@ebminsurance.com.au](mailto:marketing@ebminsurance.com.au). If you would prefer to opt-out of receiving future newsletters simply click on the link at the bottom of this email.



**Jeff Adams**  
Managing Director  
**EBM Insurance Brokers**

# Social network marketing, risky or rewarding?

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Social networking heavyweight Twitter recently announced a controversial ban on all third-party advertising, providing a timely reminder to businesses that, while the platform is a significant way to reach customers, the market is far from mature.



According to the company's blog, Twitter will no longer "allow any third party to inject paid tweets into a timeline on any service that leverages the Twitter API."<sup>1</sup>

As a precursor to this latest revelation, the company launched its own advertising service in April – a facility inviting organisations to purchase 'tweets' which are listed at the head of search results.

The move has left some developers miffed, having spent time and resources creating their own advertising platforms on Twitter, only to have the rug pulled from under them.

Social networks are still in their infancy when compared with traditional marketing channels and businesses should be aware of the potential pitfalls that can arise as the new market comes into its own. This latest example highlights that all organisations, from developers and marketers to multinationals and SMEs, are susceptible to the decisions of the people behind the software.

Social networking has become much more than just a hobby and marketers are increasingly playing in the sphere. In fact, a May 2010 survey by eMarketer has revealed that 36 percent of small business owners planned to grow their businesses with social media sites such as Twitter, Facebook and LinkedIn. Contrastingly, only 25 percent of businesses had the same plans in 2009.<sup>2</sup>

Clearly, there are certain risks associated with social network marketing. However, there are also many advantages which have so many businesses keen to be part of the trend. At its core, advertising via social networks provides an effective, cost-efficient way to tailor messages according to the age, gender, relationship status or even likes and dislikes of a target audience.

A recent Nielsen study of 14 Facebook advertising campaigns revealed a much higher recall rate for paid ads when they were accompanied by additional unpaid ads featuring on the homepage, in a social context.<sup>3</sup> The study follows a Nielsen survey of over 25,000 internet consumers which shows the most trusted form of online advertising to be recommendations from personal acquaintances or opinions posted by consumers.<sup>4</sup>

Social media technologies have the potential to deliver many benefits in support of your company's marketing objectives, if your target market operates in this space. Just be sure to look before you leap.

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<sup>1</sup> Twitter, The Twitter Platform, 24 May 2010

<sup>2</sup> eMarketer, Small Biz Plans to Grow with Social, 20 May 2010

<sup>3</sup> Nielsen, Facebook Report: The Value of Social Media Ad Impressions, 20 April 2010

<sup>4</sup> Nielsen, Global Advertising: Consumers Trust Real Friends and Virtual Strangers the Most, 7 July 2009

## Don't let scandals leave lasting scars

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Corporate Australia has received a wake-up call about the importance of risk-management, in the wake of a string of corporate and political scandals.

When it was uncovered that the Melbourne Storm paid \$1.7 million to its players outside the cap in the past five years, the club received the harshest penalty for a salary cap breach in NRL history.<sup>5</sup>

Following a succession of widely-publicised indiscretions, Western Australia's State Treasurer, Troy Buswell was dealt the ultimate blow and shown the door after he admitted to (though later withdrew that admission) misusing State entitlements, which followed revelations of his affair with a Greens Member of Parliament.

The damage to an individual or company's reputation, public standing and profitability caused by scandals and poor decisions is often considerable and long-lasting. And while it can be difficult to prevent damning off-the-cuff comments, there are significant steps companies can take toward mitigating the risks of a major corporate bungle. As Australia's largest privately-owned insurance broking company, EBM offers a range of Corporate Insurance and Risk Management products and services to protect clients' investments.

"If your business was the victim of fraudulent behaviour, for example, would you be prepared?"

"EBM's successful Corporate Insurance and Risk Management services have been developed to ensure that clients' investments are adequately protected from fraud-related risks," said EBM Insurance Brokers Managing Director, Jeff Adams.

"Whether you're looking for professional advice on risk transfer and retention, strategies to reduce insurance premiums or crisis management planning, the EBM Corporate team can tailor a package based on your company's specific needs.

"In the event of a loss or dispute, EBM will act on your behalf to ensure the best possible outcome."

For more information on EBM Corporate Insurance and Risk Management, contact your account manager who can help you determine your insurance needs. Call 1300 INSURE (1300

467 873) or email at [ebm@ebminsurace.com.au](mailto:ebm@ebminsurace.com.au).



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<sup>5</sup> National Rugby League, Melbourne Storm breach NRL Salary Cap, 22 April 2010

# Stormy weather prompts financial services overhaul

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The Federal Government has announced reforms impacting financial advisers, designed to re-build the confidence of Australian retail investors in the financial planning sector.

When Storm Financial was placed in liquidation on 26 March 2009, an estimated 14,000 investors were left to face significant losses.<sup>6</sup> This collapse, together with the breakdowns of Opes Prime and Westpoint, triggered a parliamentary inquiry by the Joint Committee on Corporations and Financial Services.<sup>7</sup>

Shifting demographics also provide an opportune time to put effective financial planning in the spotlight, as Australia's aging population and falling rate of labour force participation place increasing pressures on economic health and wellbeing!<sup>8</sup>

The subsequent *Future of Financial Advice* reforms, which take effect from 1 July 2012, aim to address the alleged mis-representation of financial products and conflicts of interest that have diminished the quality of professional guidance received by some Australian investors.

Some of the key reforms relate to:

- Remuneration structures, commissions and volume based payments;
- Legal requirements of financial advisers when it comes to acting in the best interests of their clients, and providing personal advice to retail customers;
- Increased transparency and flexibility of payments for financial advice;
- Parameters around percentage-based fees;
- Widening the availability and affordability of financial advice; and
- Strengthening the powers of the Australian Securities and Investments Commission (ASIC).

According to Deloitte's Banking and Securities Outlook 2010 report, the new reforms, combined with changes to Australia's tax and superannuation systems, will impact the current business models of many financial organisations.<sup>9</sup>

EBM Managing Director Jeff Adams said it was important for financial advisers to take the time to fully understand their obligations under the new reforms.

"Access to quality, trustworthy and transparent financial advice has never been so important," Mr Adams said.

"Since EBM Insurance Brokers was established in 1975, our philosophy in all areas of the business, from insurance to financial planning, has remained client-focused and we welcome any regulatory changes that will improve client services and advice."

To find out more about the Government's financial services overhaul and what it means for you and your business, download an information pack at <http://ministers.treasury.gov.au>.

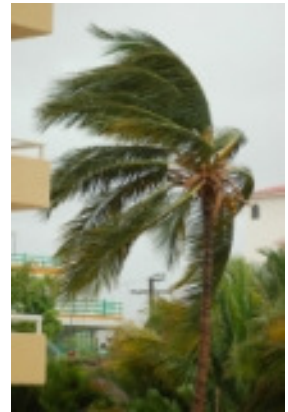
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<sup>6</sup> The Australian, Storm Financial inquiry gets go-ahead, 28 July 2009

<sup>7</sup> The Hon Chris Bowen MP, Overhaul of Financial Advice, 26 April 2010

<sup>8</sup> Australian Government, 2010 Intergenerational Report, February 2010

<sup>9</sup> Deloitte, Banking and Securities Outlook, 2010



# Prime time to enlist EBM Financial Planning

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With tax time and a new financial year just around the corner, many individuals, businesses and investors are taking steps to review their tax position and budget effectively for the year ahead.



EBM Financial Planning Pty Ltd (EBM FP) Managing Director Jay Manley said the company offered clients a range of financial planning services, designed to help people organise their finances during what could be a stressful time of year.

“Whether you’re looking for advice on end of year superannuation strategies, increasing your investment returns or protecting your lifestyle, EBM FP has a variety of options to cater for all your financial planning needs,” Mr Manley said.

“The end of every financial year is inevitably a busy time for businesses of all sizes. For some, however, this year will appear particularly daunting, in the wake of recent federal budget announcements and government reforms to the financial planning industry.

“Importantly, here at EBM FP we strongly embrace the laws and codes of practice which aim to foster strong, transparent relationships between financial advisors and their clients.

“Our services can assist individuals and businesses in clarifying their financial goals and our experienced financial advisors will work with them to design a financial strategy that helps achieve those objectives.

“Managing your finances doesn’t need to be a headache. All it takes is some solid planning to safeguard your assets, not only at tax time, but all year round.”

Some of the services EBM Financial Planning provides include:

## **Superannuation**

Superannuation is an effective way to secure a financial future in retirement. EBM FP’s superannuation services help plan for sufficient retirement income and take advantage of the generous tax incentives provided by the Federal Government.

EBM FP can advise clients on ways to capitalise on these incentives such as setting up a salary sacrifice arrangement with employers, or making additional super contributions.

## **Investment**

A comprehensive financial plan can provide direction and discipline and EBM FP can help clients determining their financial goals and risk profile and suggest different strategies and investments that will meet their needs.

## **Insurance**

The loss of future earning potential can be financially devastating. EBM FP can use risk insurance to structure a total financial protection package to protect against loss of income, disablement, serious illness and death. Protection for business owners is also available, covering issues such as ‘key person’ protection and business asset security.

## **Retirement planning:**

There are a variety of options open to individuals to structure their finances for long-term income flexibility through their retirement years. EBM FP conducts an in-depth analysis to learn about client needs and understand their goals. This includes likely retirement age, travel plans and attitudes towards various risks and returns involved in retirement investing.

## **Specialist services**

EBM FP can provide specialist help with Centrelink services and payments. These include (but are not limited to) the Age Pension, Mature Age Allowance, Family Tax Benefit, Parenting Payment and Disability Support Pension. There is also a range of benefits for service veterans.

EBM FP can also help structure investments and assets to maximise an individual's chance of qualifying for a pension by reviewing their situation.

For more information on EBM Financial Planning's services call (08) 9213 4567 or email [ebm@ebmfinancialplanning.com.au](mailto:ebm@ebmfinancialplanning.com.au).

EBM Financial Planning Pty Ltd is an authorised representative of Financial Wisdom Limited ABN 70 006 646 108, AFSL Number 231138

## Contact us

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**EBM Insurance Brokers**, with offices in New South Wales, Victoria, Queensland and Western Australia, delivers local expertise combined with the national resources of one of Australia's largest insurance broking companies.

Email us at [ebm@ebminsure.com.au](mailto:ebm@ebminsure.com.au) or contact a local broker who can help you determine your insurance needs. Call 1300 INSURE (1300 467 873) for your nearest office:

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**Important note:** Our advice is provided for your general information and does not take into account your individual needs, you should read the respective insurers product disclosure statement which we can provide upon request before taking out cover.



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