

### Key points about **Audit Insure™**:

- ✓ First to the market in 1998 (*our competitors have largely copied our lead*) and still providing the broadest scope of cover
- ✓ Fully FSRA compliant (*indifference to inaccurate commentary by several industry bodies at the time, there was never any requirement for any ASIC exemption as Audit or Tax Insurance distributed by Practices was viewed as exempt by ASIC under the 'Incidental Component' section of the Financial Services Reform Act*)
- ✓ The preferred and most recommended Audit or Tax Insurance product by Australia's independent insurance brokers, which is a major endorsement
- ✓ Supported by the leading international insurer, QBE
- ✓ Our clients are spread across all sized accountancy, tax agents, BAS Agents, Bookkeeper, type firms (let's refer to as 'Practice'), from the top tier to one partner Practices in the suburbs and country/rural towns
- ✓ Fully transparent offering without confidentiality clauses, complicated non-disclosure agreements, access to data contracts, etc.
- ✓ Nil cost to the Practice to establish an Audit Insure policy
- ✓ The same premium rates, irrespective of different hourly professional fees
- ✓ Outsourced administration, allowing the Practice to focus on core activities
- ✓ No operational software, so no possible glitches or embarrassing client and ex client gaffs
- ✓ No ongoing stationary, postage, receipting or administration/handling costs
- ✓ Additional revenue stream on new and renewed business
- ✓ Excellent claims settlement record
- ✓ Fees being claimed by the Practice are paid directly to the Practice thus fast tracking fee recovery
- ✓ Clients are invited to join the Audit Insure policy and pay their relevant premium, which are fully tax deductible
- ✓ Clients are grouped and share a selected sum insured, thus delivering significant premium savings
- ✓ Self Managed Super Funds and Trusts are automatically included within a Client Group, again saving on premiums
- ✓ Flexible shared sum insured limits to suit differing 'Client Group' needs
- ✓ Nil % culpability
- ✓ 12 months late claim notification, which is very important

### More about **Audit Insure™**

**Audit Insure™** origins date back to 1998 and offers the widest scope of cover currently available and is underwritten by the highly rated, rewarded and respected QBE Insurance (Australia) Limited ('QBE').

**Audit Insure™** is exclusively distributed by Underwriting Australia Pty Ltd ('UAPL') via licensed insurance brokers.

Numerous Practices have assisted with the development of the *Audit Insure*<sup>™</sup> over the many years and is the preferred audit insurance product recommended by the majority of insurance brokers across Australia. Whilst this is the best independent testimonial possible, retaining most Practices as clients since 1998, is a further solid endorsement.

*Audit Insure*<sup>™</sup> is offered on a 'blanket' basis ('all clients in') or 'declaration' basis ('client opt-in'). There are several ways this can be achieved offline or online. We'll discuss the options and determine which best suits your practice so as to achieve maximum client take-up.

To minimise Practice involvement and to streamline administration, the process is outsourced to related entity Audit Services Pty Ltd and [www.govaudits.com.au](http://www.govaudits.com.au) that supports offline and online client sign-up and automated management of ongoing renewal invitation and reporting.

Practices welcome the ability to be largely removed from the ongoing process and be allowed to focus on accounting activities. Outsourcing delivers further savings such as stationary, postage, receipting of monies and other handling costs. Your Practice has 24/7 website access to view client status, plus receives monthly activity reports.

Practices have the opportunity to include a margin on new and renewed business. Audit Services collects the margin as part of the total premium and reimburses at month end.

## FSRA compliance

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QBE's *Audit Insure*<sup>™</sup> policy is fully FSRA compliant. Refer <http://www.auditinsure.com/qbecl.pdf>.

Consistent with QBE's observation at the start of FSRA in 2004, ASIC in late 2006 ratified that Practices distributing audit insurance, as either a 'blanket' (all clients in) or 'declaration' (clients opt-in), was determined to be an 'incidental component' of the accounting service and thus not in contravention of FRSA provisions.

There was never any need for providers to seek any form of exemption. Please be very wary of any party that claims otherwise, as it's likely to be a misleading marketing ploy.

## Policy comments and cover (policy wording available at [www.auditinsure.com.au](http://www.auditinsure.com.au))

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### Comment

The concept of Audit Insure is that Practice's clients are offered and elect to take out audit cover in the ordinary course of business to potentially cover any random and unexpected 'audit' activities (refer additional comments below) undertaken by various State and Commonwealth Government Agencies and other regulatory bodies.

Audit Insure isn't for clients that suddenly discover or are advised that they now have a heightened risk of being audit and rush to seek audit cover. We liken this type of 'motivation to seek cover' to that of a bush fire coming up the hill and then trying to get or increase property insurance.

The range of 'returns' (which includes declarations and other types of forms, online or offline that need to be submitted by prescribed or periodic dates) lodged with various Government & Non Government Agencies (e.g., Workers Compensation with non-government insurers, Superannuation Contributions, Building Services Authorities, etc.) is very extensive.

The definition of 'audit' is broad reaching and includes those agencies that the Practice would directly assist in the event of a returns audit, compliance audit or questionnaire, including the well known core activities, but also includes ATO Section 264 type notices, R&D Tax Concessions, Fuel Rebate, Customs Duty, ASIC, Medicare, Centrelink, etc. Please chat with us if you have a particular circumstance.

Obviously each client potentially exposed to these types of 'audit' activity need to be insured at the time. This isn't a 'blanket' type scenario that applies to the Practice practice.

### What's covered?

Professional fees incurred by the Practice to assist an insured client respond to any form of examination, enquiry, investigation, review, audit and the like of that client or their lodged returns or completion of a questionnaire sought by various State and Commonwealth Government Agencies and other regulatory bodies.

The definition of 'audit' is broad reaching and includes those agencies that the Practice would directly assist in the event of a returns audit, compliance audit or questionnaire, including ATO Section 264 type notices. Obviously each client potentially exposed to these types of 'audit' activity need to be insured at the time. This isn't a 'blanket' type scenario that applies to all clients of a Practice.

### What's not covered?

The origins of *Audit Insure*<sup>™</sup> date back to 1998 and as then and now, the concept was to provide support for Practices and their clients that largely do the right thing with respect to compliance and lodging returns etc. in a timely manner with various Government Agencies.

Policy exclusions have been tailored with this in mind.

1. Substantiation. *(This exclusion purely relates to the provisions of (say) 6 or so Tax Invoices to substantiate a GST refund. If it's more involved than that, professional fees incurred are covered)*
2. Where a return has been prepared and lodged dishonestly or fraudulently and the relevant government agency must state so in their final assessment.
3. Where a client is deemed by a relevant government agency to have deliberately acted in an evasive or reckless manner and must state so in their final assessment. No culpability percentage applies.
4. Returns lodged outside of Australia.
5. Returns lodged more than three months after the prescribed date or any authorised extension. *(This exclusion applies more to new clients. Practices prefer to protect their *Audit Insure*<sup>™</sup> policy from unnecessary claim's exposure from non-complying clients)*
6. Fraudulent claims.

7. Any amended assessment, fines or penalties.
8. Where the likelihood of an audit occurring has already been flagged or communicated or a notice of a pending audit has already been received.
9. Any activities involving mass marketed schemes without a prior product ruling; money laundering; foreign sourced income not properly declared; or the use of tax havens or the like.
10. Clients that voluntarily or enter into some form of administration or receivership etc.

## Claims performance

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QBE has an unmatched track record in paying claims, however, the truth is that all insurers that offer some form of tax or audit Insurance, encounter problematic claims.

All but a few claims are promptly settled by QBE. The majority of the remaining claims are settled, with an adjustment to the amount claimed. A small number are declined by the clear application of a policy exclusion.

Most adjusted or declined claims involve situations where clients were already aware of a pending audit or circumstances leading to an audit, prior to the client signing up or where a Practice has padded hours incurred or charged above standard hourly rates.

## What level of sum insured is best?

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There's no precise answer.

Most clients form part of a Client Group. Each Client Group is a mix of individuals, trusts, self managed superannuation fund and trading entities. Client Groups up to \$100 million turnover can be covered.

Client Groups select from a range of sum insureds (\$5,000 to \$50,000) that best suits their needs. This approach avoids wasted premium.

Whilst we can offer as high as \$100,000, we recommend that clients seeing above \$50,000 establish a separate policy that can be tailored for their specific needs.

## Excess, Pricing and Margin

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There is nil excess.

With respect to pricing, most Practices select the 'client opt-in' approach and the pricing below is based on this approach.

If your Practice wants to consider the 'blanket' approach (i.e., all clients covered), we'll need to gather some additional information.

The 'blanket approach works on the basis of a total premium being calculated for all clients with various Sum Insureds selected; the premium paid in full upfront; and then the Practice recovers the cost from clients.

Please note that the \$X,XXX/\$XXX format below represents Sum Insured/Premium, without your Margin.

### **Individuals & Families, including possible Trusts or SMSF**

Wage & salary (single) \$10,000/\$120 or (including spouse/partner) \$10,000/\$160

Family + Trust/SMSF \$10,000/\$280 or \$20,000/\$440

### **Self Employed or Micro Business (no employees, thus no Workers Compensation returns to lodge, otherwise select Client Group)**

Self Employed/Micro business \$10,000/\$200 or including Trust/SMSF \$15,000/\$380

### **Client Groups (being immediate family; common majority owned trading entities; plus possible Trust/SMSF)**

\$10,000/\$430; \$15,000/\$490; \$20,000/\$735; \$25,000/\$855; \$30,000/\$1,220; \$35,000/\$1,500; \$40,000/\$1,825; \$50,000/\$2,755; \$75,000/\$4,555 & \$100,000/\$6,305

With respect to margin, your Practice can add a \$ (typically in the \$25 to \$75 range per transaction – new and renewed) margin and the amount is incorporated into the above premiums; is collected by Audit Services; and paid to your Practice after end of month.

## **How do clients sign up?**

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Practices can approach this in several different ways.

1. Where there is an annual engagement contract, incorporate audit cover as part of the contract. Clients are automatically insured.
2. Insist that all clients have (say) \$10,000 cover and automatically incorporate as part of the regular billing.
3. Allow clients to 'opt-in'.

The vast majority of Practices are able to communicate with clients via email and the majority of clients have internet access, so most sign ups occur online, via [www.govaudits.com.au](http://www.govaudits.com.au). Otherwise clients can download the application form and complete by hand.

The Practice is supplied with draft marketing content to use in their initial communication.

As earlier outlined, the backend administration is outsourced to Audit Services Pty Ltd.

The combination of majority online sign ups, plus outsourced administration significantly removes the added costs of utilising Practice's stationary; postage; receipting; issuing Tax Invoices; staff resources, plus no third party software concerns.

We'll discuss the various options and provide relevant support documentation and instructions.

## What's the likely client take-up?

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This really depends on how closely clients follow advice provided by their Practice.

Where the Practice has an annual service contract or client authority, there's 100% take-up.

A number of Practices are incorporating audit insurance cover as a must have as part of their initial or annual engagement letter.

Where Practices offer as an 'opt in', it really comes down to the client relationship. Most Practices achieve a 30-50%+ take-up and with further client interaction, can increase this level to 70%+ as accounting staff engage with clients over the next 12 to 18 months.

## Claims process

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The claims process is simple and transparent, with claims invoiced to QBE and paid promptly following receipt of required documents.

- ➔ Once the Practice or client receives notice of an 'audit' (in the broader definition), a Claims Advice is completed and forwarded with a copy of the 'audit' notice.
- ➔ The Practice proceeds to manage the 'audit' using the internal resources typical for the type of 'audit' and charges standard hourly rates. Remember that the *Audit Insure™* policy needs to be properly used, as any inflated costs will impact the loss ratio which determines the level of premiums or the continuity of the *Audit Insure™* policy.
- ➔ Once the audit is complete, we require a Tax Invoice made out to QBE; WIPs where the fees are over \$1,000; plus a copy of the final letter from the relevant government agency. QBE may occasionally require additional documents to access the claim.

## We have an existing policy, other than *Audit Insure™*. How can we swap over and benefit from the wider scope of cover, lower premiums, and less handling costs?

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That's easy! After setting up an *Audit Insure™* policy, provide Audit Services with the existing client and cover data required and they'll establish into that website platform, at no cost to your Practice.

Plus, there are no ongoing costs. The ongoing renewal process is managed on your Practice's behalf by Audit Services. Practices also avoid the added costs of stationary, postage, receipting payments and client admin support.

Plus your Practice and clients immediately benefit from the wider scope of cover and reduced premium costs!

## In summary, what's the upside for Practices and clients?

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### For Practices?

- ➔ Zero costs to establish and near zero costs to administer, as the process is outsourced
  - ➔ Client has to engage the Practice to access the benefits of *Audit Insure™*
  - ➔ Reduced client angst
  - ➔ Higher likelihood that clients will engage the Practice on other audit related matters that they would typically avoid on the basis of fees being incurred
  - ➔ Fully able to recover hours and costs incurred in audit activity, plus fewer write-offs
  - ➔ Invoice QBE and be paid promptly. Improved debtor management and enhanced cash flow
  - ➔ Other than the initial client communication (typically undertaken by email) all other activities are outsourced. There's no further handling by the Practice; no stationary or postage costs; no operational software; and limited involvement of busy staff
  - ➔ Whilst the primary focus should be on 'client sign-up' (keeping the cost as low as possible will assist), there's the opportunity for an ongoing revenue stream
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### For clients?

- ➔ Access to paid professional assistance
  - ➔ Reduced angst
  - ➔ No stress on cash flow to pay unexpected accounting fees resulting from unplanned government audits
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## Next steps – contact your independent insurance broker or us!

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