

The Millennium Bug

by Sedgwick Ltd

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and plan the implementation.

4) Implement Solution

Put the implementation plan into action to fix the problem and track progress to enable any time slippage to be identified and resolved.

5) Perform Testing

Conduct extensive testing and reauditing to check that the actions have been successful.

The six critical success factors in a Millennium Compliance Programme are to:

- ensure that the programme is business-driven and involves senior

management;

- recognise that the issue is unlike anything your organisation has done before;
- focus on the major business-critical exposure first;
- identify, secure and keep the resources that are going to fix the problem;
- generate a sense of urgency - the deadline cannot be moved backward;
- allow sufficient time and resources for the comprehensive testing.

The above is simply a review of the areas that may affect you and we recommend that you review all systems.

If you require any further information with respect to insurance issues and the Y2K problem, or would like to speak further with PC Consulting to obtain specific advice, please contact Cheryl Richardson at Sedgwick Ltd on 08 8211 7655

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“The Millennium time bomb”

At the recent IPBA conference in Auckland, the Auckland Insurance Group organised a disaster scenario session on the implications for insurers and insured of failing to have computer systems year 2000 compliant.

The scenario for the session involved a Hong Kong company and its subsidiaries in seven jurisdictions: New Zealand, Australia, Taiwan, the Philippines, Singapore, the UK and the USA.

On 1 January 1999 the group, a highly successful canned food distribution business, is at serious risk. Canned food distributed to the seven jurisdictions for onward distribution to customers has been rejected as having its “sell by” date one year later. The computerised distribution system, being capable of reading the year 2000 only as “00”, rejects consignments with a “sell by” date on or after 1 January 2000.

The subsidiaries in the region have guaranteed delivery dates to their customers in the festive season following New Year and approaching Chinese New Year. In many cases they now simply cannot deliver. The head office in Hong Kong had sent our guidelines to the subsidiaries to ensure year 2000 compliance and the responses from the managing directors of each of the subsidiaries had been that they had consulted their IT suppliers and all was or would be well in time for 1 January 2000.

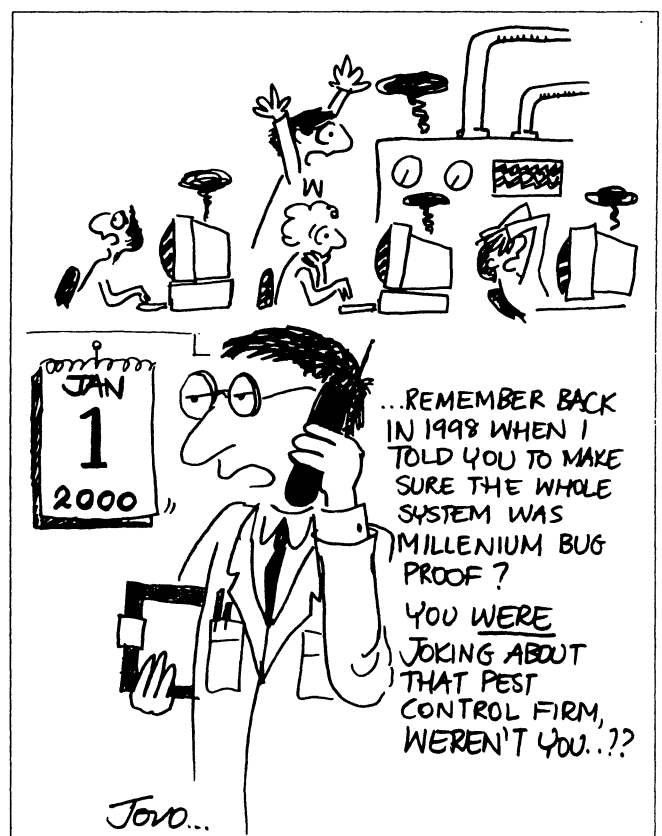
Each subsidiary has its own separate insurance arrangements. The subsidiaries each look to their All Risks Business Interruption policies. The managing directors of each subsidiary look to their Directors’ and Officers’ Liability policies. The subsidiaries’ IT suppliers and advisers look to their Professional Liability policies.

Lawyers from each jurisdiction advised on the likely claims arising, whether or not the policies would cover the claims and why, according to the law of his or her own country.

Interesting differences arose. The analysis looked at the three likely heads of claim and whether these would in turn be covered by the three types of policy:

- 1 (a) The claims by the customers against the subsidiary - in all jurisdictions there was a main

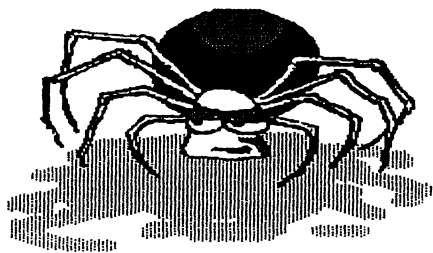
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**There were: Three Men...
a lawyer, doctor and
an Engineer...**

Three men were holidaying on a cruise ship, a Lawyer, Doctor and Engineer. The cruise ship began to sink, all the crew abandoned ship which only left a 2 man dingy. All three men jumped in, but before too long it began to take water and the dingy started sinking. To the Doctor and Engineers amazement, the Lawyer jumped out and began swimming towards the land that was visible on the horizon, at that instant, numerous dorsal fins broke the surface. All of a sudden two sharks swam out in front of the Lawyer guiding him towards the land and the remaining sharks formed a protective ring around the swimmer. The Engineer said to the Doctor "never in my life have I ever witnessed such a phenomenon". The Doctor replied with a smile "professional courtesy my friend".

THE SPIDER'S WEB



Lawyers and Money go hand in hand...

Client to Lawyer: How much do you charge?
Lawyer: \$300 for three questions.
Client: That's rather a lot, isn't it?
Lawyer: Yes. What's your third question?

SEVEN DARWIN SPECIAL CHILDREN'S CHRISTMAS PARTY

The 1998 Seven Darwin Children's Christmas party will be staged, in association with the Leukaemia Foundation, at 'The Tank', Darwin High School on Saturday, 5th December, between 10am and 1.30pm.

Seven Darwin needs financial assistance to bring a day of happiness into the lives of between 1,000 and 1,200 Northern Territory children who are either diagnosed with life threatening illnesses; physically or intellectually disabled or living in disadvantaged circumstances.

Seven Darwin is seeking the support of local companies in the form of advertising packages. The packages range from a standard package, valued at \$185.00 up to Silver package; valued at \$1,000.00. Everyone is recognised for the generosity by scheduled commercials emphasising those involved. Silver sponsors have a visual presence; four staff members are invited to the party in corporate uniform to help distribute gifts and are also invited to supply a company banner.

If you can help, call the Channel Seven's Christmas Party Direct line on:

PH: 8941 5577

The Millennium time bomb

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tainable claim for breach of contract under Sale of Goods Act-type legislation or similar provisions in civil codes.

- (b) In all but one jurisdiction, the Phillipines, the All Risks policy would not cover. This was because the loss was not accidental (from the policyholder's view) or because no property used in the business had been damaged or the insured had failed to disclose the material fact of non-compliance or because of an exclusion for latent defect.
- 2 (a) The claims by the subsidiary company against the managing director were generally possible but not commonly pursued. In the Phillipines the claim was not maintainable because the managing director would have to have been grossly negligent.
- (b) The Directors' and Officer's Liability covers in the scenario was thought to cover, in except in New Zealand and Australia where such policies would usually contain an "insured v insured"

exclusion which would be effective to deny cover. In Singapore material non-disclosure would avoid cover.

- 3 (a) In all jurisdictions there would be a claim against the IT supplier and adviser, but in some for breach of contract and in others for negligent advice and assurances (New Zealand, Australia and USA).
- (b) As the Professional Liability cover contained a year 2000 specific exclusion in all jurisdictions. It was thought the Professional Indemnity cover would not respond, unless the claim was maintained for negligent advice alone which arguably might be covered in some jurisdictions.

Overall it was what might be a sobering conclusion for commercial clients. Even without a year 2000 specific exclusion, they might well not be able to look to their insurers to cover this year 2000 losses.

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invitation to a practitioner
to attend their monthly
meeting and address the
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**Intellectual Property,
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