

brokerwise

Brought to you by: **Council of Queensland Insurance Brokers Inc**

Welcome to brokerwise

Within the pages of this quarterly newsletter we plan to bring you a variety of interesting stories, opinions and news items.

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Renovation Risks

...avoid the traps.

Business Assets

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...premiums not excessive.

Easier file searching

...thanks to Google.

Agents vs Brokers

...oh, yes, brokers are best.

Risks when Renovating

Home renovation activity has gathered momentum in recent times, partly because of increased house prices and new home construction costs and partly inspired by home renovation and makeover programs on television. Also, it seems many people want to live closer to the city and are purchasing older homes in need of renovation.

In a previous article we have warned of the limitations of most Home Insurance policies with regard to renovation issues. Our message then as now is that you contact us to review your policy to see what changes might be needed to fully protect you while the work is going on.

You should also check with your builder and review the contract for the work he will carry out. Be clear about what cover is his responsibility and what cover is yours.


The latest version of the master Builders Association Residential Building contract places the onus on the builder to arrange insurance on the works. However, the Housing Industry Association contract allows the parties to select who is responsible for insurance on the works but defaults to the builder if no one is nominated.

You should always ensure appropriate insurance has been arranged and insist on sighting written confirmation of cover.

In some circumstances you may need to arrange a Contract Works insurance policy. You may also need to ensure that your existing house building is insured for construction risks which are not normally covered under a household policy. And it may also be necessary to include an item under the Contract Works policy specifically addressing this.

Under the building contract the builder will usually be obliged to arrange Public Liability Insurance and it should be in the names of both parties - builder and homeowner.

We have seen cases where the builder says he has the contract works insured but in the written contract it stated that the homeowner was responsible for damage to the works. In a case like this the contract should be altered to clearly place the responsibility for damage to the works on the builder and also confirm his responsibility to arrange appropriate insurance.

In many cases what seems simple and straight forward very often is not. So it's always a good idea to let us look at the contract before you sign it. 



Member:



On track with an Asset Register

An Asset Register can provide guidance for business proprietors on the processes involved in establishing and implementing effective asset evaluation and renewal strategies and procedures.

An asset register includes information on asset description, location, condition, residual life and asset current costs, depreciation and value. Asset registers are useful to a wide range of personnel. Among these are managers and staff, insurance brokers, financial consultants and lenders. The level of detail contained in the registers will vary to suit the required user.

Cheap, simple databases or spreadsheets can serve as effective, low-cost entry points for many businesses establishing a formalised asset management system. Data can be readily transferred from most simple databases to more sophisticated computer systems at a later stage. However, larger enterprises with significant resources and management commitment may find it cost-effective to develop a detailed asset register as part of an integrated asset management package.

An asset register will include:

- a unique asset identification number
- asset location/description
- basic dimensions and material
- year constructed
- importance level for asset
- useful life
- condition rating
- residual life
- original cost

- current cost
- accumulated depreciation
- written-down current cost
- annual depreciation

Outcomes:

Effective asset evaluation and renewal will allow a business to have an intimate knowledge of:

- assets it has under its control
- the location of these assets
- the value of these assets
- the condition and performance of these assets
- the approximate residual life of these assets
- prioritised projections of asset replacement or rehabilitation costs

Outputs:

Outputs from the asset evaluation and renewal process include:

- an Asset Evaluation and Renewal Plan;
- asset registers which can be presented in text or graphical outputs;
- asset condition/performance reports;
- asset valuation reports;
- specific asset management studies; and
- a prioritised asset replacement/rehabilitation program

Assets are not just a line on the balance sheet. They cost you real money so why not keep tabs on what they are, what they cost and where they go. 🐻

Alternative Dispute Resolution – The consumer's friend!

People are no longer content to accept the traditional ways in which society deals with conflict. Social changes in the last few decades have empowered people to question all aspects of our social structure.

The professions, including the legal profession, have increasingly come under public scrutiny. In particular, there has been much public disquiet about the costs and delays of achieving resolution of disputes through the court system. Court hearing delays of up to 5 years have not been uncommon. In addition, the adversarial nature of the litigation process and what constitutes justice have been called into question.

The result has been a quest, by consumers, for common sense ways to deal with conflict and resolve disputes. Initially, these processes tended to be dismissed, particularly by the professions, as some form of “touchy feely” new age concept. Thanks to the persistence of pioneers in the field, Alternative Disputes Resolution (ADR) processes are now being accepted. Unfortunately, some ADR methods can still

be very expensive. However, there are many schemes which are free to aggrieved consumers. Many product and service providers are obliged by law, and their industry Codes of Practice, to subscribe to external disputes handling schemes.

Insurance companies who subscribe to the General Insurance Code of Practice are required to have internal disputes handling procedures and also subscribe to an external disputes resolution service administered by Insurance Ombudsman Service Limited. As part of all General Insurance Brokers licence conditions they are also required to have internal dispute resolution process and to subscribe to an external body, Insurance Brokers Disputes Limited, set up to resolve disputes between brokers and their clients.

These external schemes take an impartial view in resolving disputes. The decisions of the independent arbiter are binding on the subscriber, Insurer or Broker, but not necessarily on the complainant, who still has recourse to the courts if not satisfied with any decision. 🐻

Young Drivers Premiums and Excesses

Everyone is by now familiar with Excesses on car insurance.

Although the basic policy excess, which is usually \$300, \$350 or \$400, can be removed altogether by payment of an extra premium, these days most people do not remove it.

The Excess for Young and Inexperienced Drivers varies from around \$300 to \$700 depending on the age of the driver and which Insurance Company you are talking about. At least one company has an Excess of \$1000 for under 21 year olds and these Excesses are in addition to the basic policy Excess so the cumulative amount could be \$1100 to \$1400 for a young driver.

An Inexperienced Drivers Excess usually applies to drivers over 25 years of age who have not held a driver's licence in Australia for at least 2 years.

In order to avoid paying young drivers premium rates and/or to receive the benefit of another family member's No Claim Bonus, many young drivers were insuring their cars in the name of another family member and even registering the vehicle in the name of their mum or dad.

A few years ago, Insurance Companies started to include Undeclared Young Drivers Excesses which were considerably higher than their standard Age Excess. This was designed to discourage the practice and encourage people to declare young drivers and pay the higher young drivers' premiums rather than be hit with a much higher Excess if the young driver has an accident.

Whilst this worked to some extent, at least one leading car insurer has now introduced a No Claim Bonus system for young drivers who technically have not earned it. This system allows the young driver the same Rating Number or No Claim Bonus percentage as



one of their parents but is based on the higher young driver's premium rates that are charged.

To qualify, the parent must have a current Rating One or Maximum No Claim Bonus and must not have had any claims for the last 12 months. The young driver must have a clean driving record for the period he or she has been driving and in the case of drivers who have been driving longer than five years; they must have a clean record for the last five of those years. A separate policy is issued for the young driver who would lose some or all of the No Claim Bonus in the usual manner if they have an "at fault" claim. The parent's policy would not be affected by a claim under the separate young driver's policy.

We expect other insurers have or eventually will have similar procedures or rules in place. It appears this latest answer to the problem of young driver's premiums may be working and, even if this is not the solution, the insurance companies are working on it. Perhaps finally, this can of worms now has a predictable result and need no longer be a surreptitious hit or miss process. 🐛

Find anything on your computer in seconds



You know the feeling. You remember the snippet of a name, a topic, an event or a solution to a problem hiding somewhere in the recesses

of your hard drive. You try searching 'Outlook' in case it was in an email. No result. Let's face it; if it's buried in an email archive, you're more likely to find a needle in a haystack.

You try 'search' on the Start menu then think about

the time it takes to search and decide not to bother because life's too short. Perhaps it's time to give up.

Not if you have Google Desktop. This amazing free program will index your entire PC, enabling the same search engine that searches the web to search your desktop for what you seek and display it in the usual Google web search page format. If it's on your PC, it finds it in seconds - mail items, Word docs, attachments... literally anything on your computer.

It's a truly excellent program but before downloading consider the potential security ramifications, especially on shared computers and particularly those in the workplace.

<http://desktop.google.com/> 🐛

Agents vs Brokers

A case recently finalised in the NT Supreme Court has highlighted once again the wisdom of using the skills of an insurance broker to identify and locate the right cover for a client's needs and close off potential hazards to their business.

Brokers have a higher level of responsibility in their role as agent of the client and accordingly, their clients have a greater degree of protection than they would if placing their insurance in the hands of an insurance company agent, as did a service station proprietor, a principal player in this story.

The case was brought before the Court to settle legal action against an insurance agent in the aftermath of the Katherine floods of 1998.

The service station operator sued the agent for negligence and misleading and deceptive conduct under the Trade Practices Act 1974 (Cth) and for a breach of the then Insurance (Agents and Brokers) Act 1984 (Cth)

The Insured gave evidence that they approached the agent to arrange insurance cover that spanned "all relevant risk".

There was no specific discussion about flood cover and two policies were obtained. One was a general business package policy with a flood exclusion and the other was a computer policy which covered flood.

Serious damage to the service station property ensued as a consequence of the flood and

the Insured made a claim. The insurance company rejected the claim on the grounds that no cover was in force under the general business package policy. The service station owner promptly sued the agent for not obtaining the cover.

Ultimately, the Court found that there was no evidence to indicate that there was a breach of the Act as there was no evidence that the agent made any false statements wilfully and with intent to deceive. It was found to be of great importance that the Insured conceded in cross-examination that the agent never represented that they would provide a policy that would "cover it for everything".

According to the judgment, the fact was (and this is the crucial part) that the agent fulfilled the charter required of it. As an insurance agent, its primary duty was to the insurance company and its duty to the service station proprietor was no higher than that owed by the insurance company itself.

This case demonstrates that the scope of the duty of an insurance company agent is more limited than that of a broker as the agent represents the insurance company. As insurance brokers represent their clients and have access to both the domestic and international insurance markets, for informed advice about your insurance needs and for greater protection - a broker is best. 🐱

Be sure ...before you insure!...ask your Council of Queensland Insurance Broker about...

COMMERCIAL AND RETAIL INSURANCE

- Business Property
- Business Interruption and Loss of Rent
- Liability, Money, Glass Breakage
- Burglary
- Machinery Breakdown
- Computer
- Goods in Transit
- Contractors Risk
- Motor
- Tax Audit

LIABILITY

- Public Liability
- Products Liability
- Professional Indemnity
- Directors and Officers
- Employment Practices Liability

PRIVATE AND DOMESTIC INSURANCE

- Home and Contents
- Car, Caravan, Boat and Trailer
- Travel

INCOME PROTECTION INSURANCE

- Long Term Disability
- Sickness and Accident

LIFE, SUPERANNUATION, PARTNERSHIP

- Mortgage Protection
- Key Man
- Term Life
- Superannuation



The CQIB represents over 50 Queensland firms employing nearly 400 staff and placing \$400,000,000 in annual premiums. The CQIB charter is to maintain the level of professionalism of its members by the sharing of knowledge, information and ideas.

For more information visit www.cqib.org.au

Acknowledgements

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wisewords ... on Happiness.

Most folks are about as happy as they make up their minds to be.

Abraham Lincoln

The secret of happiness is to make others believe they are the cause of it.

Al Batt

Happiness is nothing more than good health and a bad memory.

Albert Schweitzer