

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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...needs a broker

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...beware!

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... a risky business

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...revisited.

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... can be lifechanging.

Member:



Brokers at the cutting edge

“Every aircraft that flies, every ship on the high seas, every truck that moves, every satellite in space, every rocket that put it there – the risks associated with each of these has been placed by a broker with the advice on those risks being given by a broker.”


So says Mr Anthony Lim, President of the Brussels based World Federation of Insurance Intermediaries and owner of Singapore’s largest broking firm in a recent interview with Insurance & Risk Professional magazine – a leading journal for the Australian insurance industry.

In the published interview, Mr Lim goes on to observe that every company director in the developed world has a difficult job to do. “...and so do the brokers who are standing behind each of them advising on the best cover for their liabilities.” He concludes with the assertion that, “the broker’s role in commerce is very, very important.”

Brokers continue to play a major role in Australian commerce. Recent figures show that brokers are transacting around

\$9 billion per annum in premiums, particularly with commercial lines where they distribute almost 90% of all policies. A recent survey shows broker dominance in commercial lines has grown by 12% over the past five years. Even in personal lines, the amount of business sourced by brokers and third party distributors has gone up by almost 4%. At the same time insurance sold directly by insurers has declined by 6%.

Insurance brokers are specialists and they can provide the insured more choice from multiple insurance companies, scheme benefits and discounts, better negotiated cover and often, less expensive premiums than are being offered by an individual direct insurer. This benefit is coupled with expert advice on the levels and types of cover that are required and help is at hand when claims arise. Brokers are also strictly regulated by the Australian Securities and Investments Commission (ASIC).

To paraphrase the old saying...if your insurance ain’t brokered. Fix it. 

Dob in an arsonist

The Insurance Council has announced the ongoing commitment to the Arson Reward Scheme by the general insurance industry. The Scheme is administered by the Insurance Council in conjunction with Federal and State Police Forces.

“The Arson Reward Scheme provides potential rewards to individuals who provide information leading to the conviction of any person for destroying or damaging property, through an act of arson,” said Insurance Council General Manager Communications, Paul Giles.



The four objectives of the scheme are:

- Provide a deterrent to arsonists;
- Prevent arson occurring;
- Provide information to assist police investigating an act of arson; and
- Provide information to assist insurance companies assess claims.

For full details of the Arson Reward Scheme visit

www.insurancecouncil.com.au 

Future Risks

The world is changing at a rapid rate on many fronts. Technology has altered most things in people's working and home lives and continues to advance at breakneck speed. The global climate is becoming more extreme and unpredictable while the eastern world continues to grow at a rate of economic growth three or four times faster than that of the western world.

It is the role of the insurance industry to keep pace with these changes, identify and assess potential risks which may emerge from them and seek ways to best manage them if and when they eventuate. As well as new modern risks, the insurance industry still has to deal with risks that were initially identified many years ago and health risks that have been with us for centuries.

Toxic mould

Toxic mould litigation has been an issue that insurers have been aware of for some time. Mould can occur when a leaky roof, faulty plumbing or sewer blockage allows moisture to seep into a building, providing the perfect environment for mould to proliferate in wall cavities, carpets, wood floors and ceiling tiles. Mould claims commonly involve some allegation of defective construction or maintenance against any party involved in those areas. Legal action may also be brought against employers for failing to provide a safe place of work and against building insurers for failing to ensure building repairs prevented the development of toxic mould.

There have already been some major cases in the USA – Melinda Ballard was awarded more than \$32 million by a Texan jury which found that her insurer had acted in an unfair, deceptive and fraudulent manner when evaluating a mould property damage claim. Although there are factors that may limit the size and number of mould litigation claims in Australia, such as insurers' exclusions and the nature of our legal

system, it is likely that litigation in relation to toxic mould issues will occur. Service providers in industries likely to be sued should become well-informed about their potential exposure to liability and seek advice on their insurance cover.

Pandemics

Pandemics are a serious concern. The current major concern is that an avian flu-like disease may emerge that will spread easily among humans. An event such as this would last for months and businesses within affected areas will be forced to only operate within certain areas. They may also have to deal with the pandemic internally as well as externally, since all staff will be vulnerable to illness and death.

The Insurance Information Institute in the USA has conducted an analysis that forecasts that even a moderate flu pandemic would cost life insurers nearly US\$15 billion in additional claims and a severe flu pandemic along the lines of the 1918 event could cost up to US\$150 billion. Such an event would have a material effect on the worldwide economy.

Risks abound

Risks abound which may have a serious impact on life as we know it. To add to the misery of this somewhat gloomy story,

here are a few possible starters, some a little left field but very real as harbingers of turmoil, dispute and litigation: the effects on health of mobile phones; subsidence claims that could eventuate from the effects of climate change; the increasing availability and affordability of plastic surgery; the effect that violent computer games has or may have on certain behaviours; etcetera, etcetera.

However, the next major liability issue may well be caused by a risk of which we are currently unaware. We wonder if the insurance industry fathers have risk management plans for alien invasion. 🐼



Hello sailor!

Even in this day and age with all the modern equipment available to owners and operators, ships still run aground.

Consider the immutable laws of physics and their part in the factors that contribute:

To prevent a ship from bobbing around on the ocean like a toy duck in a bath tub, ships pump seawater into their ballast tanks resulting in the ship sitting lower in the water where their stability, steering and propulsion are designed to operate efficiently.

Whilst navigating the deep oceans, the ship's draft (the depth below the waterline) is not a concern but when coming into port, the ocean draft does not allow them to enter most ports as they would strand on the river or harbour bottom.

To allow ships to safely sail into port they must reduce their draft by discharging ballast thereby raising the ship. For pollution reasons such discharge must occur whilst outside specified distances kilometres from the Australian coast.

During the ballast discharge, the ship rises in the water resulting in less response to steering and reduced stability.

Having discharged their ballast and while waiting near the coast to enter an Australian port the combination of being close to shore, a sudden severe storm, reduced steering response and propeller performance can create a scenario that may leave some beachside homes with a new neighbour.

In the case of the Pasha Bulker, the ship that put Nobby's Beach and Newcastle on the world stage, the official reason for this particular beaching will no doubt be released after an investigation by the authorities. 🐞



Terrorism Insurance

Following the events of 11 September 2001, insurance companies around the world, including Australia, progressively withdrew cover for terrorism risk. They did so by applying an appropriate exclusion clause to the affected policies.

This withdrawal of terrorism insurance prompted the Australian Federal Senate to pass the Terrorism Insurance Bill in June 2003, which was subsequently enacted. The Act operates so that terrorism exclusions in eligible insurance contracts are deemed to have no effect. In turn, insurers reinsure any terrorism risks that the Act requires them to assume with the Australian Reinsurance Pool Corporation (ARPC), which is ultimately backed by a Commonwealth Government guarantee.

The terrorism scheme, in broad terms, applies to non-residential property, structures, works, construction and their contents. Business interruption covers which relate to the ownership or occupation of such property are

also covered as are liability covers to the extent that the liability arises from the ownership or occupation of such buildings. The scheme also hinges upon an event being deemed a "declared terrorist incident" by the Government Minister.

In September 2006, the Treasurer released a report on the Act following a review. The report proposed the need for the Act to continue operating and for the ARPC to use its discretion to continue to build the terrorism insurance pool once the initial \$300 million target has been met.

Business owners should be aware that if a declared terrorism incident occurs and their policy has a terrorist exclusion clause and provided that the policy covers eligible property, then they are covered and a claim will be payable in the same manner as any other claim under the policy. Business owners who have any questions or concerns about whether or not they are covered for a terrorist incident should consult with their insurance broker. 🐞

Underinsurance – a continuing problem.

Here's an all too common scenario. A business owner is asleep after a hard day's work and the phone rings; his business premises are on fire. He races across town and literally watches as his whole life's work goes up in smoke.

For many, the business is everything: their sole source of income; their only investment; their superannuation for the future...and the reason for the mortgage over the home.

With daylight and after the fire brigade have gone, a new phase begins - police, investigation and perhaps an insurance loss adjuster. Staff arrive at work worried about their jobs; anxious customers awaiting delivery of big orders hear the rumours of fire and try to make contact.

By this time the insurance broker has been contacted to see if the premium was paid. Did I get the bill? Have I paid it? Am I fully covered?

We know that 84% of small to medium enterprises (SME's) believe they are fully insured. But what's the reality? Research has found that there are three main areas of underinsurance that cause most grief.

The first is removal of debris. Building fires generate tonnes of debris and many people just don't realise the high cost of removal and dumping after a fire.

The second is property values. According to a leading Insurer 75% of businesses roll over their sums insured year after year. After three years 46% still have the same sums insured as they did three years before. However in that time building costs have gone up 20%.

But sky-high building costs aren't the worst issue. Consider the cost of machinery and plant increases and this one example, stainless steel goods - up 50% over the last 12 months alone. Clearly, any restaurant or anyone in the food industry that needs stainless steel fixtures and fittings will find that they may be grossly underinsured.

Perhaps the area that has the most underinsurance of all is business interruption. Research shows that only 31% of SME's have any form of Business Interruption cover and even those who do don't have enough. The bottom line is that in the main, businesses without a sensible level of business interruption insurance will not survive a serious insured event.

That's three strikes, all conspiring to get you out of business. How would you fare?

Want to learn more about insurance topics that will help your business survive? Go to www.zurich.com.au and check out the latest Zurich Australia podcast. 🐱

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 politics

The word 'politics' is derived from the word 'poly', meaning 'many' and the word 'ticks', meaning 'blood sucking parasites'.

Larry Hardiman

Politics is the skilled use of blunt objects.

Lester Pearson

Being in politics is like being a football coach. You have to be smart enough to understand the game, and dumb enough to think it's important.

Eugene McCarthy