



Brokerwise

Brought to you by: Council of Queensland Insurance Brokers Inc

Global financial problems and their impact

YOUR INSURANCE... AND THE GLOBAL FINANCIAL CRISIS

The ripple effect of the financial meltdown continues to circle the world and there is no doubt its impact on insurance markets both at home and abroad will have a decided knock-on effect on insurance capacity and pricing.

Recent comments from industry leaders endorse this outlook:

Munich Re is the world's largest reinsurance company (reinsurance companies insure insurance companies). In late September 2008, Munich Re board member with responsibility for the group's reinsurance business, Mr Torsten Jeworrek, said the market impact was so dramatic his company wants to push through wide-ranging "price-rises with clear two-digit percentage figures" in their contract negotiations for 2009. He added that providers like

Munich Re were no longer prepared to make compromises over price and he declared that "from now on we have a hard market, the soft market is over."

More recently in Australia, David Bidmead, CEO of the Pacific arm of global insurance broker Marsh, grabbed the attention of delegates at a major insurance industry function when he forecast the hardening of commercial rates. He believed that the global financial markets turmoil was likely to contribute to the beginning of a correction in commercial insurance rates for businesses after several years of soft conditions. He added, "Financial woes around the world will impact the availability of risk capital in several ways."

The comments above from senior industry executives reinforce opinions within the insurance industry that the current soft insurance market cycle, which has been defined by year on year premium decreases, broadening cover conditions and plentiful participation by insurers on risks which were once "hard to place" may now be coming to an end.

But what effect will this expected reduction in global insurance capacity actually have on Australian insurance consumers? Which areas will feel the pinch?

The latest survey by the National Insurance Brokers Association (NIBA) points to where some of the changes have already taken place. In personal lines insurance, 70% of respondents to the NIBA polls reported premium increases of up to 30% in policies such as home and contents.

To date, increases have not been as evident in commercial insurance classes. For example: for commercial

public liability policies, 40% of respondents noted rate increases but 24% still recorded decreases; for business interruption policies, 33% noted rate increases but 51% said there is no change. At the other end of the scale, professional indemnity insurance business, a highly competitive class, produced results of 19% of respondents noting increases with 40% saying discounts are still to be had.

Despite some conflicting evidence, the writing is on the wall that insurance consumers are heading for more, shall we say, difficult renewals. Your insurance broker will be aware of which insurers are restricting cover and/or increasing prices, so if you have any questions or concerns about upcoming renewals, contact your broker. ■

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Managing your business... better

WORK ON IT, NOT JUST IN IT!

Management is all about working on your business as much as working in your business and never has this been more important than in these uncertain times when constant vigilance of business operations is paramount.

How often do we succumb to the daily work load and in the course of things overlook the important aspects of management essential to the successful running of a business. Key areas which should be under the spotlight include:

- Staff
- Customers
- Workplace Health & Safety
- Financials
- General Administration
- Insurance

In many industries and professions qualified **employees** are hard to find. Many businesses are forced to resort to unqualified staff or juniors and train them to the requirements of the business. As labour is usually the largest expense for any business so the total employment cost must be managed carefully.

Without **customers**, there is no business. Identifying and addressing the likely needs and wants of your customers is crucial. Customers will not stay with you long if you are merely imposing upon them your new or existing product range, regardless of suitability.

Workplace Health & Safety issues are foremost in every business. On a daily basis, employees, contractors and customers face the possibility of injury or even death through negligent work practices or lack of supervision. Do you spend sufficient time allocating resources to manage this large exposure... and do you have adequate insurance protection? In the event of calamity, defence costs and associated fines and penalties can destroy your business.

Financials provide an up to the minute guide on the performance of your business. Larger businesses engage highly qualified professionals but many SME businesses attempt to handle the financials themselves, often to the detriment of their business. A qualified bookkeeper can pay dividends especially as the control of debtors has never been so important.

Every business is consumed with **General Administrative** work. Failure to keep on top of this may result in late lodgements of forms, tax returns, tenders, etc. A good personal assistant, who takes control of the paperwork that flows through an office, can be a valuable asset.

Insurance has grown to be one of the largest and most important outgoings in every business with the protection of assets, business and personal income being paramount.

In this litigious society, we are subject to a variety of actions that can be taken against us and which put our businesses at risk. These actions can be a result of wayward employment practices, failure to attend to our duties and responsibilities as directors and officers as well as operational failure in occupational health and safety issues.

Managing your business with the right resources and systems is vital to success. On the insurance front, we can ensure you have the cover you need to protect your valuable investment and also tailor adequate management liability insurance to provide protection from many risk exposures. ■

Road rules confusion

AUSSIES UNSURE ABOUT ROAD RULES

A survey from car insurer Budget Direct reveals that Victoria has an important skills shortage – many drivers don't know the road rules.

The insurer interviewed more than 1000 motorists over the age of 25 and found more than half of Victorian drivers (58%) do not know how to travel through a multi-lane roundabout correctly, followed by 49% in Queensland, and 48% in NSW.

It doesn't get much better in Victoria when it comes to parking. Some 62% of

respondents were unsure how far they can park from an intersection with traffic lights, while 58% in Queensland and 57% in NSW expressed similar doubts.

There was more confidence among respondents when asked who should give way at a T-intersection, with 79% of NSW motorists answering correctly, compared to 77% in Queensland and 69% in Victoria.

The Insurance Ombudsman Service says there were well over a million motor claims during the period ending June 30 last year.

In its annual review it said basic education campaigns may reduce the number of insurance claims and could also reduce premiums. ■

(From Insurance News 29/9/08)





Dial before you dig

EXCAVATE AT YOUR PERIL

Around a metre or so underground lie thousands of kilometres of pipes and cables carrying essential services to households and businesses around the country. If you are planning to dig up your yard or footpath you run the risk of finding one or more of these by accident.

Accidents and disruptions from excavators unwittingly digging up underground assets have ruptured sewerage pipes, caused gas main explosions and even deaths from contact with underground electricity cables. The severity of incidents varies greatly – as does the resultant impact. Incidents have led to communities being isolated from telephone services including the 000 number. For someone in Australia's remote communities, a lack of phone communication can lead

to fatal results. There is also of course the personal impact of an incident to the individuals responsible. Serious injury and death do happen and if you negligently damage underground pipes or cables you may be faced with criminal prosecution and significant damages claims. Commercial damages from businesses unable to function have been known to run into millions of dollars.

That's the bad side. The good side is Dial Before You Dig (DBYD), a free service that will help you locate and so keep clear of underground services.

DBYD has a unique partnership with Australia's underground asset owners (electricity, gas, communications and water etc) and acts as a single point of contact to provide information about underground networks at your excavation site. This saves you having to contact the utility organisations individually.



Simply log on to the DBYD website, download and follow the user information kit and tell them your dig location. They will pass on the referral to the affected asset owners who will send the information directly to you, generally within 2 working days.

The Dial Before You Dig service is designed to protect owners, builders and their sub contractors. So if you're planning an excavation, do yourself a favour and pick up the phone...or visit their website. ■

www.dialbeforeyoudig.com.au

Brokers vs Direct

INSURANCE BROKER VS INSURANCE AGENT

There can be confusion within the business community about the role of an insurance broker compared to that of an insurance agent.

The major difference can be found by asking the question "On whose behalf does my insurance broker (or agent) act?"

In the vast majority of cases, insurance brokers act on behalf of their clients and have a duty of care to act in their best interests. At other times, when an insurance broker acts as an agent of an insurer, the broker is legally required to tell the client that he or she as broker is acting on behalf of the insurer and not on behalf of the client.

In simple terms, an insurance consumer will know that a broker is working for him unless he is told otherwise; and an agent, as the insurer's representative, will be working for that insurer and not for the consumer.

Another major difference is the advice provided by the broker or agent.

An insurance broker will provide advice that is appropriate for a client's individual needs (personal advice) or advice that is generally appropriate without consideration of the client's personal circumstances (general advice). The broker will tell the client what type of advice is being provided. Whilst an agent of an insurer may give personal advice, more often than not the advice will be of a general nature and restricted to the range of products offered by their principals.

Generally, an insurance broker is not "tied" to any insurer and will have administration agreements with many national and international insurers and insurance underwriting agencies. Therefore the broker is able to analyse the client's risks and search the market for the most suitable product to protect the client's assets and liabilities. The broker will not only compare extent of covers available but recommend appropriate products at a competitive cost to suit the client's

budget. When it counts, brokers will "go in to bat" for clients in contentious claims or merely keep the insurer on the track to prompt and fair claim settlements.

Many insurance brokers are members of the National Insurance Brokers Association (NIBA) and comply with the Insurance Brokers Code of Practice ("the Code") as part of that membership and as subscribers to the external disputes scheme administered by the Insurance Brokers Disputes Limited (IBD) as part of their licensing requirements. The minimum standards set out in the Code for brokers include acting in the client's best interests; providing appropriate advice; arranging policies as needed; advising clients of insurer's acceptance; make copies of insurance documents available; assist with all required transactions and receive insurer's notices on behalf of the client.

If you are unsure for whom your insurance adviser is acting or about the type of advice you are provided, don't hesitate to ask them. ■

Contractual agreements

ACCEPTING LIABILITY UNDER CONTRACT

When entering into contracts take care to read the terms and conditions relating to indemnity and insurance.

Typical contracts that you may enter into relate to leases, labour hire, equipment hire, construction contracts, contracts for the performance of work and contracts for the supply of products or services.

Most Public Liability policies exclude liability assumed under contract, unless the insured would have been liable irrespective of that contract. The areas to look out for from an insurance perspective are:

“hold harmless” clauses which mean one party can't sue the other party for losses, irrespective of fault of the other party.

Indemnities are where one party agrees to reimburse the other party for the other party's losses, often irrespective of whether the first party was negligent or not.

Insurance clauses usually require that one or both parties take out certain insurances.

If your insurer has not agreed to the terms any hold harmless or indemnity clauses that you have agreed under the contract then they are likely to decline to pay or defend a claim relating to it. If you agree to insurance clauses then be sure to ask your broker to arrange the appropriate cover.

In some maintenance agreements a contractor may seek to limit their liability to a very small amount such as \$20,000. You may be breaching a condition of your policy by limiting any right of recovery your insurance company might have against that contractor's negligence.

Your insurance broker can advise what terms would be acceptable to your insurance company and at what cost whilst your solicitor can help you draw up amendments to the contract which will be mutually agreeable to all parties. Another option is to take on the risk yourself or failing that, walk away. At least you are making an informed decision on the matter rather than having to deal with a legal battle after the event. ■

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

This publication is a general summary only and should not be relied on as a substitute for insurance broking advice.

Wise.words

From US Presidents

Better to remain silent and be thought a fool than to speak out and remove all doubt.

— Abraham Lincoln

“One of the great things about books is sometimes there are some fantastic pictures.”

— George W Bush

“America, we are better than these last eight years. We are a better country than this.”

— Barack Obama

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