

# 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.

## in this issue

**Premiums**  
...set to rise?

**Cargo loss claim**  
...who pays?

**Disaster plan**  
..to minimise impact.

**Boating costs**  
...shared.

**Taxes on insurance**  
...unfair!

**Business Interruption**  
...experts advise.

Member:



## Premium rise tipped

The insurance market historically runs in cycles where premiums rise and fall. Generally and collectively, for the last four years, customers have been paying less and less for their premiums relative to rising sums insured for all the policies they buy. The signs are that this happy arrangement may be coming to an end, not to any huge degree but premiums are expected to rise in the medium term.

The driving factors for the insurance cycle are supply and demand and Australia's booming economy has boosted the demand and attracted many new insurance providers to the market. The Insurers are attracted to profits and while there is still a profit margin to be made then premiums will continue to fall due to competition between insurers.

A recent (Nov 2007) JP Morgan and Deloitte industry survey recorded steady deterioration in profitability to the extent that in some classes such as CTP and Commercial Motor insurance, the insurers are actually making losses and premiums in these classes are already set to increase. Change is also looming on the horizon for a turn in the main commercial classes with expectation of increasing premiums taking effect in 2009.

In addition to the survey findings

it is worth considering the fact that insurance companies have heavy investments in the global share market which is weathering a storm of its own at the moment. A reduction in the recent high returns from share market investments will affect the insurance companies overall profitability. In turn, to satisfy their own shareholders, they will be looking to their core business of writing insurance policies to show greater returns. A probable outcome of the recent share market turmoil then is the acceleration in the onset of the insurance cycle's inevitable change – which of course means rising premiums.


On a positive note, the insurance market is far more stable than at this time in the previous cycle. Improvements in regulatory requirements for and the professionalism of brokers and underwriters means we are also not faced with the collapse of a HIH size major player to adversely affect the supply of insurance and cause large increases in premiums. Premiums may be on the up but we expect steadily controlled increases and have the view that insurers will place greater emphasis on requirements for customers to employ more rigorous risk management strategies. 

## Cargo Claims

As cargo moves across the world, imports and exports of goods are inevitably in the hands of a third party. There's a local carrier that takes the goods away. If you are lucky your goods will be in their own container, otherwise, there's a packer or freight forwarder that places your precious goods into a container with plenty of others. That container is then loaded, usually by another third party, onto a third-party craft, and sails (or flies) from A to B, sometimes halfway round the world.

At the other end the process is reversed and it's common to find that nine or more groups have been responsible for your goods in transit.

But what if something goes wrong? Who takes the blame?

This is where cargo insurance becomes important and proves its ultimate value. If you are planning to ship goods to far away places, call us to talk about insurance cover, at least we can help you lessen the financial loss in the event of non arrival, loss or damage. 

# Business survival

Just as the pace of life for each one of us seems to be on the increase, so too is the pressure of demand on the business world and the products and services they provide.

Consumer expectations, business interdependencies and the need to gain the competitive edge are making continuity of service increasingly vital. While lengthy periods of downtime have always been potentially crippling, today even minimal service and product unavailability can have a significant impact on business success and reputation. As many successful and resilient businesses have found, business continuity management, or business continuity planning, has helped to reduce risk, limit damage and disruption, and allowed swift resumption of operations.

Many types of event can cause disruption to business – fire, flood, chemical spill, computer crime, telecommunications failure, accidents associated with maintenance work, and the consequences of acts of terrorism to name a few. Risks may not even impact an organisation directly, but may be due to proximity or disruptions to the supply chain. Though the causes may vary, there are often similarities between impacts. Equipment damage and communications and security failure are common. There may be structural damage, personal injury and trauma, transportation disruption and electricity may well be out. Losses may include access to people with specialist expertise who are critical to the resumption of services.

How would your business cope with disaster? How do you identify the key threats to your business?

Below is a list of risk classifications, with just a few examples of the risks that fall into each category. Follow the steps to create a risk profile of your business and rate your risk of a disaster strike.

- **Economic** (eg. currency, investment)
- **Environmental** (eg. political, pollution)
- **Financial** (eg. revenue, increased costs, competition)
- **Governance** (eg. management lapses, social responsibility)
- **Liability** (eg. contractual, regulatory, lawsuits)
- **Natural** (eg. climate, earthquake, fire, water)

- **People** (eg. terrorism, strikes, sabotage, error, OH&S, key persons, absence, pandemic, succession)
- **Product liability** (eg. product recall)
- **Reputation** (eg. social responsibility, adverse publicity, allegations, rumours)
- **Security** (eg. physical, systems, information)
- **Supply chain** (eg. outsourcing failure, communications, power)
- **Technology** (eg. systems, data, internet, plant)

**Step 1:** Create a 3-column table with the above risks in the first column (include any other risks you consider relevant to your business).

**Step 2:** In the second column, note if the risk exists for your business – a simple ‘Yes’ or ‘No’ will suffice.

**Step 3:** In the third column, where you have noted a ‘Yes’ in the second, rank on a scale of 1 (low risk) to 10 (high risk) the probability of the risk of an event occurring.

Now you have identified the risks, you can take steps to minimise the likelihood of a disruption to your business. However, this ‘risk management’ process is only the first phase of a business continuity management system. The second phase is determining how you will respond to an event and documenting this in the form of a plan.

So, now you know the why and the how, where do you go from here? This is the point where many businesses come to a grinding halt... they simply don’t have the skills or resources to prepare a plan or put it in motion. For more assistance consider the services of a specialist in the field. ContinuityCoach.com is one and their website is well worth a visit. 🐛

[www.continuitycoach.com](http://www.continuitycoach.com)



## Messing about in boats

More people are now enjoying the thrill of boating in high-end, luxury vessels thanks to the booming boat-share industry. Shared ownership significantly reduces the cost, but not the responsibility and skill required to navigate large, powerful boats through increasingly crowded waterways.

In response to safety concerns arising from the popularity of these shared ownership schemes, *Maritime Safety Queensland* has released an information paper on the practice while at the same time seeking public input on future policy direction.

The paper highlights that many boats in these schemes may have been incorrectly registered and advises owners to review their current registration to ascertain if it is correct. A transition period amnesty is offered for any correction that may be necessary.

The paper contains descriptions and definitions of the important key words 'Recreational', 'Commercial', 'Private' and 'Legal Definition of Owner' and provides a good insight into registration categories for recreational and commercial boats.

It is important that every boat owner have their boat correctly registered to comply with the Government regulations. If your boat is currently incorrectly registered there are other matters that may be affected - insurance being a crucial one. As many insurers rely on the definition in the Government Acts to identify the type of insurance policy required, including Usage and Premium Cost, an incorrect registration could mean that your insurance could be jeopardised. It is worth the investigation now instead of when an incident occurs. For more information visit Maritime Safety Queensland's website (web address below) and download the file "Boat-share information paper". 📄

[www.msq.qld.gov.au](http://www.msq.qld.gov.au)



## Dubious Achievement Award

Well, it's official. Victorians are the highest-taxed policyholders in the world, paying up to 81.5% on their base premiums for property insurance. (Source: [www.niba.com.au/tax](http://www.niba.com.au/tax))

And it's not just the poor Victorians at the tax sharp end. Insurance policyholders throughout Australia are paying world-record levels of state and territory taxes on their policies, with some policyholders forced to pay more than 80% tax on top of their base premium.

The National Insurance Brokers Association (NIBA) Chief Executive Noel

Pettersen says insurance taxation should be an issue of priority for the all-Labor Council of Australian Governments (COAG).

"The question of taxation has got more chance of being solved now there's a Labor government in power federally. Perhaps we'll see some consistency across the states," he said in a media

release dated 21/12/07.

Mr Pettersen says it's time for the governments of New South Wales, Victoria and Tasmania to join the other states in abolishing the fire services levy (FSL) and adopt a more equitable system of funding the fire service.



"Insurance buyers, particularly in Victoria and New South Wales, are among the highest taxed in the world. These are world-record taxes and charges, and are a huge detriment in tough times to taking out insurance, which leads to underinsurance", he said.

To raise awareness, NIBA has created the "No taxes on insurance" website – a comprehensive guide to the taxes you're paying and what you can do about it. From there, you can also access and sign a petition calling for an end to the tax impost. 📄

[www.niba.com.au/tax](http://www.niba.com.au/tax)

## Crisis Management

Looking through back issues of Brokerwise we noted that almost every second or third issue had an article about Business Interruption insurance. This 'banging on' about it is justified though because BI is among the most crucial cover protections a business can have - if you want to pick up the pieces, dust yourself off and start all over again after a major insurable setback.

We make no apology for more banging on about this topic, although this time from a different perspective.

Settlement of claims under standard business interruption policies can be extremely complicated. As a result, the compilation and submission of detailed claims and supporting documentation is difficult, often frustrating and certainly time consuming.

Settlements may include:

- Loss of profits - which may not mean what you or your accountants believe it to mean.
- Increased Costs of Working – limited by a test that is often difficult to apply in the early stages of a claim.
- Additional Increased Costs of Working – as defined in the policy.
- Deduction of savings – often a subjective issue.
- Average/Underinsurance – if sums insured are inadequate.

In addition, claims are limited by a pre-determined Indemnity Period and delays in taking appropriate action to return to normal business operations or in obtaining progress payments

can be extremely costly – or even terminal for the business.

Therefore, it is important that all relevant issues be closely managed. If there is no suitably competent person within your firm to handle this task you might consider engaging the services of a professionally qualified and experienced person to specifically look after your interests. The costs of these services may be covered under your BI policy as insurers recognise the difficulties facing insureds and cover is available for Claim Preparation Costs. Check your policy to see if this cover applies in your case.

Services of an independent expert ideally would include:

- liaison with your broker and accountants
- taking time to understand your business and the specific issues involved with your claim
- obtaining documentation
- preparing and submitting your claim in a format acceptable to insurers and in accordance with policy conditions
- monitoring your claim throughout the entire Indemnity Period
- avoiding disputes and delays with loss adjusters and/or insurers

Providing the sum insured for Claim Preparation Costs is adequate, the above benefits can be achieved at no cost to you. More importantly, the end result should be a maximising of your entitlements while allowing you to get on with what you do 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](http://www.cqib.org.au)

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**Council of Queensland Insurance Brokers Inc**

ABN 23 731 682 292

PO Box 8401

WOOLLOONGABBA QLD 4102

**Phone: 07 3393 1995**

Fax: 07 3393 1990

Mobiles: 0412 987 401 or 0407 613 454

Email: [execsec@cqib.org.au](mailto:execsec@cqib.org.au)

Web: [www.cqib.org.au](http://www.cqib.org.au)

# wise words

**People often say that motivation doesn't last. Well, neither does bathing - that's why we recommend it daily.**

*Zig Ziglar*

**Only those who will risk going too far can possibly find out how far one can go.**

*T. S. Elliot*

**If you don't go after what you want, you'll never have it. If you don't ask, the answer is always no. If you don't step forward, you're always in the same place.**

*Nora Roberts*