AIS INSURANCE BROKERS

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THE AIS INSURANCE BROKERS NEWSLETTER

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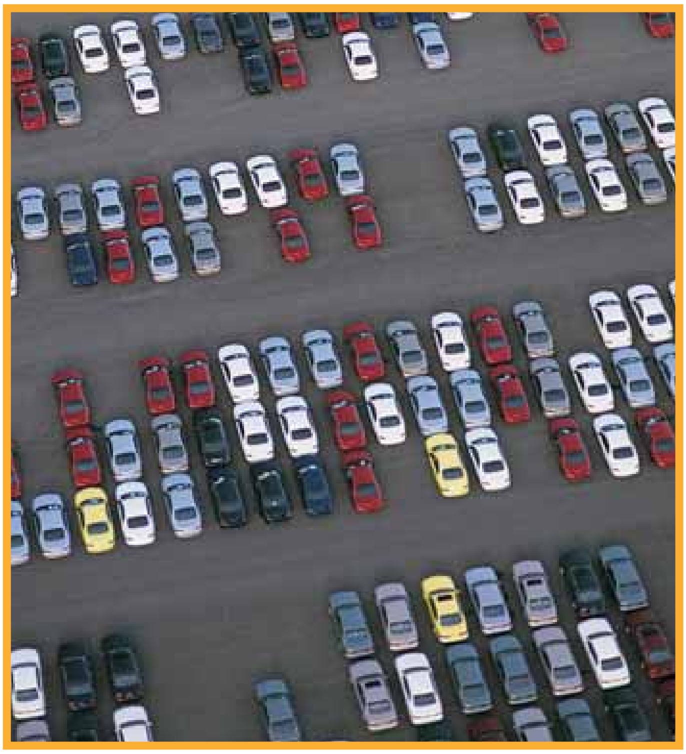
LOOKING AFTER THE FLEET



Email and the internet may have revolutionised the way we work, but there's still plenty of need for the company car – particularly given the sprawling nature of Australia's urban and suburban areas. Quick and easy deliveries, face-to-face meetings and thousands of other tasks still place heavy reliance on the fleet vehicle.

Anyone who has ever been involved in a car park "bingle" knows the significant financial damage that just a small amount of driver error (or even no error at all) can cause. The stakes get even higher on the open road. With every new set of wheels comes increased risk – both financial and human – to your business.

It's important that those threats are both recognised and managed appropriately. Fleet insurance should be a vital consideration for any business manager with more than a handful of vehicles under their watch.

There is no set minimum number of cars that turns your car pool into an insurable "fleet". Each insurer has a different attitude and prices its fleet and single vehicle policies accordingly. But a fleet policy begins to be more economical once there are at least six vehicles bearing the company logo. By the time you have 15 vehicles, a fleet policy is almost always the best way to go.

Choosing the best policy for your particular – and unique – needs is our job. This is specialised work, because there's a wide range of policy formats available. As with standard car insurance, there are plenty of options for fleet managers to consider.

Safety is a major consideration, and safe fleets will usually be rewarded. Significant discounts are available for fleet managers with favourable claims records. Such records come from employing people suited for the driving task and maintaining a continuous safety training regime.

Insurers also rate the fleets they insure according to the activities the vehicles are involved in. You can expect to pay different rates for insurance depending on the likely areas of operation, what the vehicle is being used for and what sort of vehicles make up the fleet.

Appropriate surveillance of your fleet will help further reduce your insurance costs.

Whatever your business, and whatever the size of the fleet, we're best placed to guide you through the available insurance options. We set out to understand your business and your insurance needs, because that's how we'll be able to negotiate the best deal for you.

CLIMATE CHANGE AFFECTS EVERYONE

High and dry in New Orleans: severe windstorms will become more frequent

The warnings on climate change are coming thick and fast. It's significant that the global insurance industry no longer quibbles when it discusses the likelihood of global warming: it sees the phenomenon as a fact and warns the consequences aren't well understood.

Last year the devastating Hurricane Katrina swept through the United States city of New Orleans. Earlier this year Tropical Cyclone Larry devastated communities when it whipped ashore out of the Coral Sea.

Both windstorms demonstrated how devastating – and costly – natural disasters are when they hit population centres.

In Australia, our major population centres are on the coast, and more people are moving north to retire in a coastal community. But cyclones can extend a long way south, and one expected impact of global warming is that severe windstorms will become more frequent.

So great is the threat that Lloyd's of London recently warned insurers to prepare for another record-breaking hurricane season in the United States.

Much of the latest scientific research suggests that climate change will take place faster than most people think. Urgent and active management of climate change – starting with investment in research – is now critical.

Lloyd's has urged other major global insurers to follow its example in reassessing risk levels. As weather patterns become more unpredictable the fact that no one has an accurate picture of the financial impact climate change could have on the industry is a clear indication that more needs to be done.

Based on natural cycles alone, Lloyd's says it is expected that the current trend towards extreme windstorm events globally will continue and increase over the next decade.

Insurers must plan for a higher frequency of extreme events, over a longer storm season and over a wider geographical area.

The insurance industry is also now able to take advantage of scientific advances to factor forecasts for the season ahead into their planning, instead of relying only on long-term trends.

There is also an increasing possibility of attributing weather losses to man-made factors, with courts seeking to assign liability and compensation for damage claims. Exposures can also be expected to increase in respect of property, business interruption and political risks and that means the insurance industry will want to regularly review conditions of your coverage.

Based on vast experience, Lloyd's believes that the vast majority of natural perils are currently insurable. However, if some insurers are prevented from pricing risk adequately – for example because of regulatory action – or if they fail to do so because of the conflicting pressures of market cycles, the ability to insure natural perils may be limited.

If the pace of climate change grows faster than expected, it is even more vital to ensure that the appropriate level of insurance coverage is maintained.

SECURING YOUR BUSINESS ASSETS

Firewalls, intrusion detection systems and anti-spyware may sound like something out of the latest James Bond movie, but to business owners and managers they are the necessary tools to maintaining information security and privacy.

Setting up and installing passwords to protect computer documents and programs from unauthorised users is adequate for in-office traffic. But there's a lot more to the story than office communications. Business managers need to have a greater awareness of the security threats posed by the internet.

All internet use has the potential to allow hackers and spyware programs to record passwords, financial data, disable security systems and trace and record personal or client information such as phone numbers, account details and addresses.

Larger companies with more than 100 employees spend many thousands of dollars a year upgrading and maintaining their information technology security systems to protect intellectual data, yet many smaller companies which depend just as much on their unique information leave themselves wide open to identity and document theft.

While many cite high software costs as a reason for not installing such precautions, the cost of eliminating the risk must be measured against the consequences of simply doing nothing. Most companies rely on the internet to source and deliver information to clients, shareholders and accountants, and the level of security must be addressed.

According to a recent Deloitte survey on protecting digital assets, only 48% of businesses have a company-wide program to manage business continuity, which is well below the 83% of United States companies.

Only 46% of companies believe they are doing enough to address digital security threats but this leaves 54% of company directors who feel they are falling behind the threats.

Double jeopardy: risks abound using modern communications technology

The majority of security precautions in place have only eventuated after an attack has been registered. More than 50% of companies still treat digital security as an IT issue rather than a direct obligation of company directors.

Although most digital security threats come from outside of the business, many directors and owners do not take into account staff as a security threat.

Only 37% of the companies surveyed provide security training to their employees and almost half do not monitor workers' internet usage. Some 33% of businesses implement self-assessment and awareness programs for staff to comply with security regulations. And 30% of company directors believe employees below management level are not well informed of security precautions.

Although the number of internet crimes has almost doubled in the past 18 months, fewer victims are reporting the crimes to police. As a result the real extent of internet crime is underestimated and newer, virtually undetectable techniques are not made public.

The increasing use of mobile phones, personal digital assistants and wireless internet cards for laptop computers to access company information is increasing the risk of worm and virus programs downloaded into the system. As yet there are no content-filtering programs for mobiles or personal digital assistants, leaving them an easy target.

At the very least, companies should install anti-virus and anti-spyware software across all computers and servers throughout the company network. Firewalls should be used on all network perimeters and external access points to protect from internet threats.

We all use technology to make our work easier and more accurate. We also need to consider how we can make it secure, too.

OPTIONS ABOUND FOR INSURANCE

Insurance premiums for some types of commercial insurance are substantially lower than they were two years ago, and there are now more insurance options available for consumers.

The National Insurance Brokers Association's twice-yearly Market Conditions Questionnaire shows brokers are finding more insurance options for their clients, and more than 60% say their clients experienced premium decreases in the first half of this year.

That's not to say that all types of business are experiencing falls in premiums. The insurance companies are now monitoring business very carefully to achieve a technically correct rate.

Nevertheless, many clients are seeing a complete backflip from the situation of just two years ago, where premiums for most classes reached record highs.

As we've explained before, insurance is a cyclical business – rates are never still, moving up and down as the business, investment and claims environments change. Prior to 2001, insurance companies were pricing their policies too low – which meant they had limited resources to deal with unexpected financial liabilities. The collapse of HIH and the international repercussions on capital markets of the September 11 disaster changed all that. Premiums rose rapidly as insurers around the world scrambled to shore up their losses.

After a couple of years of record premium rises, insurance companies around the world returned to profitability. A generally benign claims environment and good investment returns have helped the insurers to become more effective with their pricing over the past 18 months.

New entrants to the insurance market, as well as fierce industry competition among the larger companies to secure larger shares of the various classes of insurance business, have also given us more options when searching for the best process and conditions.

But we are wary of premiums reducing too much. Like any cycle, the insurance cycle requires good balance. While some premium reductions are certainly a good thing, overly steep reductions can lead to an overheated market.

But we take comfort from the fact that insurance is now tightly regulated. Complying with the laws that have been imposed by the Federal Government since 2001 costs us thousands of dollars each year, but we are satisfied the regulations also provide strong safety mechanisms to ensure the insurance companies maintain a good balance between competition and reliability.

Government bodies like the Australian Competition and Consumers Commission monitor liability premiums to ensure premiums are realistic. Such monitoring has shown that premiums in liability classes have stabilised.

Clients who experienced premium increases in renewals on or around the end of the 2005/06 financial year had some common characteristics. Industrial risks and what are known as "hard to place" risks continue to reflect the insurers' cautious approach to classes of business where claims are more frequent.

It's our job to keep abreast of any new developments that will benefit your company through emerging broader terms or better prices. If you'd like to discuss the market and how premium rates are trending, please feel free to give us a call.

A PROFESSIONAL MEMBER: Our company is a member of the National Insurance Brokers Association of Australia, the organisation that represents professional insurance brokers in Australia. Membership is based on our professional standing in the insurance industry including our experience and expertise and our ability to meet the stringent requirements of NIBA.

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