

PREMIUMS CREEPING UP

The National Insurance Brokers Association (NIBA) has released its latest market survey which found that premiums are continuing to rise gradually in all classes as insurers face tough operating conditions.

The half-yearly survey, completed after the June 30 renewals period, found that 72% of brokers reported a rise in their clients' premiums, compared to 24% who said there had been no change and 4% who said they experienced decreases.

The majority of respondents (52%) said increases were reasonable, while 15% described increases they had experienced as "irrational" and 14% reported that insurers were continuing to cut rates to win market share.

Brokers were asked to rate market hardness on a scale of 1 to 10, with 1 being softest and 10 being hardest. They believe commercial insurance premiums are "hardening" with 76% rating it between 4 and 7, compared to 73% giving it this rating last year.

In personal lines, 93% of the survey respondents put market hardness at between 5 and 8 out of 10. Last year, 88% rated market hardness on the same scale.

NIBA Chief Executive, Noel Pettersen, said while the majority of NIBA brokers are reporting reasonable or slight increases across the board, there were exceptions.

"Some of the rises for harder-to-place risks and commercial motor are significant," he said. "This is to be expected in a hardening market where risk is being treated with more caution by insurers."



For commercial motor, 66% of respondents reported increases of up to 9%, while 14% reported increases of between 10 and 30%.

Mr Pettersen said the majority of brokers (86%) reported domestic premiums rising 1-30%, significantly higher than last year's figure of 70%.

"It is hardly surprising that insurers, in the face of higher claims, falling investment earnings and severe weather events have lifted rates," he said.

ARE YOU PREPARED FOR THIS BUSHFIRE SEASON?

With predictions that this season's bushfire threat could be even worse than last summer's catastrophic events, it is timely for those in fire-prone areas to be asking themselves if they are prepared.

That not only means hazard reduction around your property but also making sure you have adequate insurance cover.

Experts are predicting that the 2009-10 bushfire season in Australia could start as early as November and that fires will burn with greater intensity this summer, due to continuing drought and a forecast El Nino weather pattern, which is expected to bring even drier conditions to the continent.

According to the Victorian Department of Sustainability and Environment: "The genuine prospect of a season with the greatest potential loss to life and property is now in sight, and as climate indicators strengthen, this looks to be an increasing likelihood."

The Black Saturday bushfires that occurred in Victoria on February 7 this year claimed 173 lives and caused 6,180 injuries. Insured losses are so far estimated to be almost \$1.1 billion, making it the eighth largest catastrophe in Australia.

Of great concern is that an estimated 30% of properties damaged or destroyed on Black Saturday were not insured and there was a high level of under-insurance as well.

To physically protect your home or business if it is in a bushfire-prone area, authorities recommend the following check-list:

- Reduce fuel such as long dry grass, fallen leaves and twigs around your property;
- Clear away dead undergrowth, and fallen branches;
- Move wood piles away from your buildings;
- Clean leaves out of gutters;
- Plant trees and shrubs away from buildings and plant a protective shield of trees around the house to slow the wind, cut down radiant heat and catch flying embers and sparks from a bushfire;
- Place weather stripping around the inside of doors and windows;
- Close underfloor spaces and seal all gaps where embers could enter;
- Make firescreens to go over windows to prevent the glass from cracking in radiant heat;

- Mains water supply may not be a reliable source during a fire as the water pressure may drop. Make sure that you have access to adequate water supplies, such as tanks, dams, swimming pools or water reserves. Install a sprinkler system around your home or business;
- Power may go off - so don't rely on electrical pumps for supply of water;
- Gather appropriate fire-fighting equipment such as ladders, hoses, buckets, mops, portable water pumps, a ladder, rake, a torch, and a knapsack spray to put out small "spot" fires.

It is just as important to make sure that your insurance cover is up to date. We can provide you with expert advice on this, but here are some general tips:

- Do you have the right cover? For example, Industrial Special Risk (ISR), Business Pack or Farm Pack type cover, Business Interruption, Motor Vehicle, Home Building and Contents;
- Are your sums insured adequate? For example, have you taken into account the cost of site clean-up, professional fees or temporary accommodation for residence or office?
- Do you have a disaster recovery plan? For example, are computer files backed up at a remote location so you do not lose business records, including customer details?

Those policyholders living in Victoria and NSW will unfortunately face this bushfire season in the knowledge that they will be paying higher taxes next time they renew their insurance.

The Brumby Government in Victoria recently announced that the Fire Services Levy for rural business has increased to 84%. When you add GST and Stamp Duty, a typical \$1,000 risk premium now costs \$2,230. In other words, the tax component costs more than the insurance.

For household insurance in country areas, a typical \$500 policy will cost \$792.55. In NSW, the same risk premiums will cost the policyholder \$1,666.60 and \$725.40.

NIBA CEO, Noel Pettersen, said other States had more equitable systems for funding fire services, for example, based on a levy on property rates.

"The Victorian bushfires underlined the high levels of non-insurance and under-insurance and affordability is a major factor," he said.

IDENTITY FRAUD A GROWING PROBLEM



Identity fraud is becoming a growing problem as we rely more and more on internet technology and the resulting increase in the electronic storage, transmission and sharing of data.

Identity fraud involves the theft of a person's identity, using their name, date of birth, address or other personal details for fraudulent purposes, using credit cards or documents such as driver's licence, tax file number or passport to gain, money, goods or services.

This results in unauthorised transactions including conducting business, opening accounts in another person's name or otherwise using another person's identity.

A recent Australian Bureau of Statistics survey found that over 800,000 Australians had been victims of personal fraud over a 12 month period, leading to a total financial loss of almost one billion dollars. Just over half were subjected to identity fraud.

Many victims have to spend a lot of time and resources convincing banks, financial institutions and other agencies that they were not responsible for the fraudulent activity that occurred in their name.

The biggest impact is often loss of reputation. Victims often find it difficult to restore their credit rating to what it was before their identity was stolen.

In one of the most recent examples of identity fraud, the Australian Tax Office reported to a Federal Parliamentary Committee that some taxpayers' identities and their tax refunds had been stolen.

The materials get into fraudsters' hands through theft of a wallet, burglary of identity documents from a home, credit card skimming involving the unauthorised copying of electronic data from a legitimate card and a counterfeit card produced, theft of mail containing personal identifying information and cards, or simply retrieving personal documents from rubbish bins.

Police advise that people can take a number of safeguards to reduce the likelihood of becoming a victim:

- Shred or destroy old bank statements, credit card bills, and utility bills;
- Be careful who you give personal information to, especially over the phone or internet;
- Secure your letterbox;
- Minimise the number of cards you carry in your wallet to what you actually need;
- Don't let your credit card out of your sight during a transaction;
- Check your bank and credit card statements to make sure there are no unauthorised transactions.

Businesses should also take precautions by ensuring cheques and letterheads are distinctive and include some type of security feature to deter forgery. They should be careful of credit card transactions over the phone and internet. Criminals often use credit card numbers without having possession of the card.

TRAINING OPPORTUNITIES HELP BROKERS SERVE THEIR CLIENTS

As Australia emerges in better than expected shape from the Global Financial Crisis, and the economy starts to grow again, the demand for skilled staff in the broking industry is expected to increase.

There are not only great options for school leavers and university graduates to join a dynamic industry and take up Government funded traineeships so they can learn on the job, but also opportunities for those already in the industry to upgrade their skills.

NIBA Professional Development Executive, Linda Evans, said that in recent years the broking industry had been placing a significant emphasis on professional development to ensure clients receive the highest level of service.

NIBA College offers everything from courses for customer service officers or receptionist in a small brokerage to experienced brokers seeking to learn tertiary level management and risk management skills.

“At the earliest stage, brokers are involved in extensive training in their profession and there is a very structured career path for them,” said Linda.

“For example, NIBA introduced the Qualified Practising Insurance Broker (QPIB) back in 1992. Since then, thousands of Australian brokers apply the knowledge acquired in this course to their jobs on a daily basis.

“NIBA has now built on that professionalism, introducing the Certified Professional Insurance Broker (CPIB).”

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ECONOMY AND WEATHER HIT INSURERS

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.

The impact on insurers of the global economic crisis and severe weather has been illustrated in the latest KPMG General Insurance Industry Survey covering the 2008-09 financial year.

Severe weather events such as the Victorian bushfires and Queensland floods were estimated to have cost the industry \$1.7 billion, although reinsurers bore the brunt of these costs. Claims costs were up 13.6% to \$20.8 billion, while a dive in interest rates from 7.25% to 3% also took its toll on investment earnings.

Insurers' profit after tax dropped slightly from \$3.21 billion to \$3.19 billion, according to the survey. Last year's underwriting profit of \$938 million turned into a loss of \$609 million in 2009.

The head of KPMG's Insurance Sector, Brian Greig, said that overall, the general insurance industry had held up well.

“Despite the confluence of conditions – extreme weather and economic change - that has characterised the insurers' 2009 results, the foundation of general insurance remains strong.

“Overall, the Australian insurance industry has performed well and local insurers have stuck to their core insurance businesses,” he said.



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