

AI/S INSURANCE BROKERS

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BROKING AND BUSINESS – A RELATIONSHIP WORTH THINKING ABOUT



Advertising broking in Melbourne: raising awareness of the hazards of not using an insurance broker

Over the next few months Australians are going to be confronted with a concept you, as our client, already subscribe to: that **every business needs an insurance broker**.

The National Insurance Brokers Association (NIBA) campaign is aimed squarely at business owners who don't use a broker, and who therefore may be inadvertently exposing themselves to financial and personal hardship.

The advertising project, the first in 15 years, is a fresh approach by NIBA, whose 500 member firms and 2600 intermediaries handle almost 90% of the commercial insurance transacted in Australia.

In cities, the message is being spread through outdoor advertising on billboards, taxi-tops and at bus, tram and train stops. Regional cities are being covered by radio advertising.

The idea behind the campaign is to spread the message to all business owners and managers that no matter how big or small, every business should have its own broker.

NIBA mounted the campaign because of concern that an increasing number of so-called micro-businesses are not considering their risk exposures when they start up. The result is that when they meet an obstacle, they will most likely not



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Bus stop booster: claims are just one area where we prove our value to our clients

have the insurance backing to overcome it.

Micro and small business is the “spawning ground” for successful enterprises that may one day become economic powerhouses – if they survive those early years. That’s why insurance is important for every business, and why the advice and experience that insurance brokers bring to the equation are so important.

Insurance is readily available via a call centre or even over the internet – but it’s like buying a car without understanding the rules of the road. The inexperienced buyer needs someone to analyse their needs and advise on the best options before they can say they’re secure. Otherwise they’re going to end up with the legally required types of insurance like workers’ compensation and – if in the unlikely event the buyer has an idea what other cover he or she might need – the insurer’s products.

The risk associated with buying insurance this way is that the buyer may end up with insurance they have to have but without the insurance they really need. They will have received no advice on the best course of action, and no idea as to whether the cover they have obtained really meets their unique requirements.

Through the campaign, owners of small businesses are being urged to consider whether they are really covered against all common risks associated with their work, and whether their business could survive a major accident or property loss.

NIBA Chief Executive Noel Pettersen says the campaign will help small business owners understand and manage risk.

“Over the years we’ve seen a number of incidences where – due to underinsurance or incorrect insurance – small businesses have gone broke,” he said. “This campaign aims to highlight the importance of using a skilled professional to help recognise your real insurance needs.”

The campaign also promotes the new Insurance Brokers Code of Practice. Designed to increase transparency and customer confidence, the Code sets out the minimum service standards you can expect from us. Of course, we try to exceed the standards in every way possible. But it is an assurance to anyone who engages a NIBA insurance broker that they will be dealt with professionally and honestly and that the broker has the client’s best interests in mind at all times.

“There are inherent risks associated with any business that may not get the attention they deserve when people arrange their insurance through a call centre,” Mr Pettersen said. “The owner of a small business isn’t too concerned with the consequences of an injury that might stop him or her from working. At a call centre, who is there to advise and counsel them on their real insurance needs?”

The benefits of the campaign don’t just extend to small business operators. It’s also a reminder for senior businessmen, managers and home-based business operators of the vital role their insurance broker plays in their everyday security.

The campaign and its associated promotional activities enhance the message that today’s NIBA insurance broker is highly professional, service-oriented and works with the client to achieve the best results. Now that’s something worth talking about!

DOING OUR BIT FOR AUSTRALIA – AND YOU



Underpinning prosperity: the insurance industry is a major player in Australia's economy

The role of the general insurance industry is fairly well understood by business owners and managers. On a personal and business level it protects and secures their businesses and lives.

What isn't often sometimes appreciated is the much wider impact the industry has on Australia – in such areas as investment and in its contribution to the well-being of the Australian economy.

So here's a few statistics compiled by the Australian Prudential Regulation Authority (APRA) that give a perspective on our industry, and how we do our bit for Australia:

- The Australian insurance sector has net assets of more than \$25 billion.
- It employs more than 96,000 people across the country.
- More than 41 million insurance policies are issued annually and there are an average of 3.5 million claims each year.
- The insurance industry pays out about \$65 million in claims each working day.
- The industry has a gross value of \$15 billion, or 2% of the Australian economy as a whole.
- It is the 12th-largest insurance industry in the world and is ranked number four in the Asia-Pacific region.
- In March this year, when these figures were compiled, there were 99 separate insurers authorised for the Australian general insurance industry.
- The five largest insurance groups underwrite 70% of net premium revenue and control 63% of total industry assets. The top five reinsurers (insurers for insurance companies) account for about 75% of the reinsurance market.
- APRA says net premium revenue for the total industry for the year ended June 30 was \$21.5 billion, up 1.7% on the 12

months to June last year.

- Of this, insurers wrote \$19.8 billion (92.2%), up 1.1% on the previous 12-month figure, while the remaining \$1.7 billion (7.8%) was written by reinsurers.
- The regulator says net claims for the industry for the year ended June 30 were \$12.4 billion, down 5.4% on the previous year.
- Underwriting expenses have increased 11.1% over the year to \$5.7 billion, an increase of \$0.6 billion over the year ended June 30, 2005.
- APRA says the total industry underwriting result was \$3.4 billion for the year ended June 30, an increase of \$0.5 billion or 17.7% on the year ended June 30 last year. (The underwriting result is net premium revenue after the net claims and underwriting expenses are subtracted.)
- The consolidation of general insurers in the local market has led to increased retention of capital and a decrease in reinsurance reliance.

APRA says that Australian policyholders are now experiencing a period of disciplined underwriting, strong investment markets, and a continued focus on cost control.

While rates are continuing to fall in some areas, the underwriters are being very careful about exactly how they price their premiums. It's a mix between being competitive and being prudent.

What is increasingly obvious is that individual insurers will negotiate better terms or conditions if the risk is presented to them in a coherent and clear manner.

That's where we come in. We have good relationships with the insurers, understand the individual strengths and weaknesses of individual policies and have the experience to negotiate the best possible deal for our clients.

THE BEST PROTECTION AGAINST BUSHFIRE – PREPARATION

Whether it's the permanent result of global warming or just a one-off drought, there's no doubt that Australians face an increased risk of bushfire this summer. The pre-summer soaking that fire authorities were praying for hasn't been sufficient, leaving grasses dry and susceptible to the searing heat and winds expected this summer.

It all comes down to a matter of where and when, not if, bushfires will strike. Don't think that just because you live in the city you are safe. More than half of all bushfire deaths occur in the outer suburbs of Australian cities.

With their boundaries always extending further into neighbouring bushlands, the risk is very real for a majority of Australians.

While almost all parts of Australia (with just a few tropical exemptions) will be vulnerable to fires this summer, the majority of incidents are likely to take place in the south-eastern part of the country. There, summer is known for its strong, dry and unpredictable winds which help keep fires raging once they have taken hold.

Anyone living in a rural area or city outskirt should take urgent precautions before the fire season takes a firm hold on the country. No matter what your level of insurance, preventing fire damage is always better than trying to replace your possessions or rebuild your home.

In particular, insurance can't replace sentimental items like photographs, personal documents and art. Everyone has something irreplaceable in their lives.

Creating clear fuel breaks around properties – simple tasks like cleaning gutters, mowing lawns and trimming nearby trees – are as important for businesses as they are for homes.

Keep any potential fire fuel well away from buildings and covered.

Fire authorities say you should also prepare a clear strategy for any fire event. Businesses should have clear escape and control strategies that are well understood by all staff.

At home, family members should know whether to evacuate the property and, if so, how and when.

If electing to stay and fight the fire, everyone present should rehearse their roles and have easy access to equipment and protective gear.

Whatever your strategy, it pays to check on your insurance details well beforehand. Unlike other natural events, a bushfire has the propensity to destroy everything in a building – including the

structure itself. Taking a thorough inventory – and updating your contents policy if necessary – will help ensure you are fully covered should the worst-case scenario happen to you.

Getting up-to-date valuations on your property at work and at home also helps ensure you are well covered against burglary and other home and contents risks.

While the official bushfire season is already underway, it's never too late to consider your exposure. We're here to help ensure you get full and appropriate coverage at the best possible price.

And if the worst happens and you have to make a claim, you know we'll be there to provide every possible assistance.

DISCLAIMER: The information in this publication is of general nature as a service to clients and other interested parties. The articles included herein are not intended to provide a complete discussion of each subject and should not be taken as advice. While the information is believed to be correct, no responsibility is accepted for any statements of opinion or any error or omission.

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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