

AIS

Liaison

The AIS Insurance Brokers Newsletter

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Seeking advice leads to satisfaction



As the business grows, so does the complexity. We're there to keep you smiling

Unexpected events from left field can blindside the owners of small businesses, but taking time to gain some expert advice can go a long way toward reducing the risks.

Often insurance brokers are overlooked as a source of wider advice on potential dangers and threats. This advice becomes more important for businesses as they take the next steps in their development and complexity increases.

Selecting insurance then becomes an important opportunity to review where new risks might emerge and how they can be covered to give peace of mind, rather than just being a cursory but necessary transaction.

The latest annual Vero SME Insurance Index says the vast majority of small-to-medium sized enterprises use some sort of professional adviser, including brokers. But there is also a shift towards people

going it alone in the internet age, and the percentage relying on advice from family, friends and colleagues is also on the rise.

The Vero survey found SME use of brokers has slipped amid these wider trends, but also makes the point that clients who make the most of their relationships with their brokers to have a discussion about business risks find it's well worth the time.

"Clients who get advice from their broker are significantly more satisfied than those who don't and are more likely to see greater benefits of working with a broker," Vero Head of Commercial Intermediaries Anthony Pagano says.

The SME report was based on more than 1500 online surveys conducted with businesses around Australia, with results further broken down to provide a more detailed picture.

Findings also show that 68% of clients surveyed by Vero cited expertise-related benefits as among the main reasons they choose to use an insurance broker.

Easier online access is having a major impact on the way goods and services are purchased in many parts of the economy, while also raising some concerns over whether people are obtaining the right products for their needs.

It makes sense for businesses to gain advice from those who are dealing with risk issues on a daily basis and who will take time to understand the needs of individual enterprise owners.

"Insurance is complicated. Business insurance is especially complex and getting it right or wrong can have major implications for small businesses," the Vero report says.

Using us as your primary source of insurance advice ensures you'll get the best possible cover at the best possible price. Buying insurance from the internet is fraught with dangers. Do you understand the range of unique risks your business faces? How will you know the cover you've selected is going to cover you against those risks?

As the Vero survey of SME businesses illustrates, the business-owners who seek advice from their broker are the ones who are sleeping easy at night. We work for you, and only you.



Rising rates follow a long period of low premiums

Commercial premiums: they have to be on the rise

Commercial insurance premiums have been so low for so long it's seemed the pattern was entrenched, but those days may be coming to an end.

Financial results and analyst commentary during the latest Australian profit-reporting season suggest the price cycle is firming for commercial lines after several years of decline.

How quickly situations can change. The recent JP Morgan Taylor Fry General Insurance Barometer found commercial lines overall fell 1% last year and projected premiums would rise 2% this year.

The premium rise trend is likely to be bolstered by the spate of large-scale natural disasters encountered in the past year – most notably

the recent incursion through Queensland and northern New South Wales by Cyclone Debbie, which did considerable wind damage before becoming a slow-moving depression and causing large-scale flooding.

The cost of Debbie to insurance companies is tipped to be well over \$1 billion, on top of more than \$1.2 billion in other major natural catastrophes claims incurred in Australia since the start of 2016.

Insurers are under pressure to stem price slides to boost profitability as they face their own commercial imperatives. The traditional boost from investment income has also taken a hit in recent years from low interest rates, increasing pressure to find extra income through cost cuts and underwriting returns.

The Barometer report predicted commercial motor premiums would rise 6% after a gain of 3% last year, while fire and industrial special risks were expected to increase 2%, reversing a 3% slide in the previous 12 months.

Higher rate moves were also expected for directors' and officers' cover, professional indemnity and public liability.

Claims inflation is a key factor behind the momentum change, with different drivers at play for various lines. Labour and parts costs are affecting vehicle repair expenses, for example, while motor vehicles are becoming increasingly complex.

Premium forecasting is never simple, and there are few indications rates will jump sharply higher in a hurry.

Any turn in the cycle is more likely to take the shape of a slow curve.

A recent international report found global insurance rates declined for the 15th consecutive quarter at the end of last year. However, it says capacity may be moderating and profitability ratios may be increasing, signalling possible imminent rate rises.

Recent data from the US has also pointed to a shift to upward momentum. Commercial property and casualty rates increased 1% in the March quarter, posting the first rise in 20 months, analyst MarketScout says.

In the current environment, it's important to ensure the best cover is secured at the best price. Now is the right time to talk to us.

Debbie puts the focus back on flood cover

Cyclone Debbie became the third and most severe insurance catastrophe this year when it powered across the coast and brought heavy rain and flooding to Queensland and New South Wales.

Television reporters covering the event from dinghies showed scenes of submerged homes, swamped commercial districts and muddy waters spreading across river plains after the cyclone remains swept through.

Businesses and families have since faced clean-up and rebuilding costs, with many battling stress over financial losses and uncertainty over what happens next.

In some cases people opt out of flood insurance because of high premiums or through not realising their area is high-risk. Policy options also vary and it's important to make sure cover suits the situation and exclusions don't come as a surprise.

The issues also came into focus last year when a severe weather event called the East Coast Low caused insured losses of \$421.7 million across New South Wales, Queensland, Victoria and Tasmania.

Debate particularly surrounded questions over whether damage in specific cases was caused by rain, flooded watercourses or actions of the sea.

The standard definition of flood for home and small business policies is "the covering of normally dry land by water that has escaped or been released from lakes, rivers, creeks, natural watercourses, reservoirs, canals or dams".

But other forms of insurance may have different ways of describing flood risks, and it is important to check policy wording carefully, the Insurance Council of Australia says.

Often insurers send in hydrologists to assess the situation and help clarify whether damage is covered under various policies.

About 80% of insurance losses from floods happen in areas that have been inundated in the past, but while data for specific regions is still being improved, accurate local information is often hard to find.

Most insurers use the National Flood Information Database to help determine risks and premiums and may also look at local government mapping, historical information, terrain data, claims information and other individual property details.

For the future, various strategies are being pushed both to lessen the impact of events and to improve responses when they do happen.

The Productivity Commission has recommended spending \$200 million a year on disaster resilience and mitigation measures, but its message to the Federal Government has so far fallen on deaf ears.

The insurance industry, the Actuaries Institute and the Australian Business Roundtable for Disaster Resilience & Safer Communities lobbied again for the funding boost in this year's budget submissions.

The flood debate will no doubt continue to fester but, whatever the outcomes, it is still up to individuals to understand their exposure to flood risks and to discuss the action they should take and the cover they require.

Call us to help ensure you and your business are properly protected.



Reuters

A flood of questions: what's the best way to ensure you're properly covered?

We're the antidote to claims pain

Technology is certainly changing the way so many industries work, and that includes insurance. As insurance brokers we embrace the digital revolution, because it's going to make us even more efficient and sharpen our focus on the needs of our clients.

Yes, many things will change but the need for the expertise and experience that brokers add to the insurance process will not.

What brokers bring to the table is a blend of expertise and personalised service to meet every client's unique requirements, and this is something that no hi-tech robot, app or online platform can replicate.

Sure, you can easily buy a policy directly from the insurer through online channels or do a quick swipe on your mobile to make the transaction, but what happens if your business needs to make a claim?

The immeasurable value of having a broker by your side is nowhere more apparent than during the claims process.

There is no such thing as a straightforward claim



It's complicated: we're the people who can make claims easier

submission. Every claim is thoroughly assessed by the insurer before a decision is made on whether there is a payout and if so, the size of the payment.

Having a broker by your side will go a long way in navigating through what can be an arduous process when you are juggling with running your business and trying to get it back on track after a major loss.

We will help you to complete the paperwork for your claim and collect the necessary

documents and information to support the claim.

We understand the workings of the industry and we have regular contact with insurance company managers. That becomes very important at claims time. We can negotiate with the insurer to secure the best outcome for you. And when there are questions or a dispute, we're standing beside you.

Nobody understands your policy more than us. We know what your policy

entitles you to, and in many cases, we have a much better grasp of the details than the insurer's claims staff.

Remember, as your broker we're also your advocate. We will stand up for your interests to obtain the best outcome from the insurer.

We don't wish for anyone to suffer a loss, but if it happens we're the antidote to the pain of the claims process, sparing you the mental anguish that comes to all those who choose to go it alone.

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