

# AIS

# Liaison

The AIS Insurance Brokers Newsletter

SUMMER 2016

## A good time for buying more cover

Now is as good a time as ever if you are looking to get more cover for your business. In fact, it may be the best time for some years.

Commercial insurance premiums are down across the board in almost every line of business, which means insurance has never been more affordable for small and medium-sized enterprises.

But premium levels never stay depressed for long. Insurers are already planning to raise premiums in some of the more competitive commercial classes of insurance. There is also a likelihood they will abandon some lines of business until they return to profitability.

In such a case reduced competition would see premiums rise almost immediately as the insurers that persevere with the business strive to get better returns.

In the classic insurance “cycle” that has dominated the ebb and flow of premiums for many years, when insurers are making good returns from their investments they’re more prepared to lower their returns on premiums by cutting prices and therefore encouraging more consumers to buy their policies. Competition among insurers rises, premiums fall and buyers benefit.

Eventually the returns from the underwriting side of the business fall so far the insurers will lose their appetite for some risks and will start to raise their premiums to counter the losses they are making from claims.

But today investors and investment funds around the world are pouring billions of dollars into the insurance and reinsurance sectors, seeking better returns than they can get from depressed manufacturing and non-financial service industries.

That’s clouding the picture for insurers. The result will probably be that they will raise premiums and tighten policy concessions over the next year in some classes of commercial insurance.

Premium rises will not be across the board in most cases, because there is still room for competition in a range of the



so-called niche markets where different factors may dictate business decisions.

This might also be a good time to start work with us in reviewing your portfolio of risks, to see how we might be able to negotiate increased cover without appreciably increasing the cost.

We firmly believe that cheaper isn’t better, but with the way rates are at the moment, this is a great time to review your coverage and explore what more you can do to enhance your risk protection.

When it comes to risk protection, there is always room for more. Products are always evolving with new enhancements to meet business needs.

The best example of this is cyber risks. We all rely on technology to drive our businesses, and the threat posed by online thieves, fraudsters and blackmailers has never been more real. The destruction of professional and commercial reputations alone is increasingly common.

Yet cyber risks can now be easily covered by a range of comprehensive policies that should be considered by every business.

So please call us. We can help you assess your risks and decide on a course of action that will get you the best rates and most effective protection for your business.

# The first priority is prevention



Pretty much everything that can happen does happen in the world of business, so it shouldn't come as a surprise that insurance has an enormously wide focus, too.

As insurance brokers, we're expected to know a great deal about the range of products available to meet the needs of our clients. And you learn very quickly in this game that every client's needs are different!

Apart from having qualifications that allow us to advise you on insurance, we also have to keep up with the constantly changing world of business and the new types of policies that are being developed to ensure we can keep our clients properly protected.

We attend seminars throughout the year to learn about new policies and new types of risk. We also maintain regular contact with insurance company underwriters to ensure our clients' particular risks are properly understood and correctly rated. As we said before, every client's risks are different, and we're the conduit to the insurer that prevents your business being placed into a generic risk profile. To us, you're unique.

And we work with claims staff at insurance companies so that any losses you do suffer are handled without fuss. Because we have ongoing relationships with the insurers, we brokers can take the hassle out of the claims process for you. You concentrate on your business

and we'll concentrate on our business – which is getting your claim sorted out quickly and effectively.

And that brings us back to the wide focus of insurance. Think of any business innovation or enterprise of the past couple of hundred years, and then reflect on the fact that no matter what it is, it has been backed by insurance. Without proper cover investors won't risk their money, and the business won't be able to start up. From the tallest building to the smallest corner store, it's insurance that makes it possible.

Of course, insurance isn't just about protecting everyone from suffering loss – it also acts as an incentive to lower risk and prevent loss. The better you protect yourself against something going wrong, the less you're going to pay in premiums.

Such encouragement means that safety issues remain at the top of most companies' priority lists. And it also means that systemic problems get addressed and sorted out. Here's an example:

Actuaries – the experts who measure risk factors for insurance companies – established years ago that people who are left-handed were significantly more likely to die in workplace accidents than their right-handed workmates. Not only that, on average left-handers were likely to live for nine years less than right-handers.

Further study uncovered the reason, and the logic of it all is astonishingly simple. Most work equipment is designed by right-handed engineers for right-handed users.

That means left-handed workers – about 10% of the workforce – had to make unnatural and awkward movements to use the equipment, leading to greater levels of strain and higher chances of being injured by the equipment.

Understanding what caused the problem led insurers to build features into their policies that encouraged businesses to make their equipment more compatible over time.

That's why these days most workplaces feature ambidextrous equipment that can be used by lefties just as easily as the 90% of right-handed workers.

So it's important to realise that insurance isn't just there to protect people and companies against loss. It's also there to help protect people – and the best way to protect them is to encourage everyone to think about safety from all angles.

The better you are at enforcing safety, the better your risk factors and the lower your premiums are likely to be.

If you're curious about how you can lower the risk factors in your business, we're the people to talk to. Give us a call.

# Staying cool when the heat's on

Summer's here, and it's not just mercury levels and sunblock sales that are going up.

Workplace claims from heat-related injuries also typically rise during this time, and employers will do well to have in place proper guidelines to help employees cope with the stifling heat.

Fatigue and heat stress are the major causes of injury in the summer months. In some cases, serious injuries and deaths have resulted from prolonged exposure to the heat.

In New South Wales alone, there were almost 230 claims for workplace fatigue and heat stroke in the three years to July 2014.

Injuries caused by hot working conditions come at a high price, with overall

claims running into the millions of dollars.

In South Australia, injury claims caused by sweltering conditions cost the state some \$273 million in the last six summers. All in, there were more than 17,000 claims during that period with compensation averaging at around \$16,000.

The state's factory workers are most vulnerable, with the work injury insurance scheme paying over \$48 million from almost 3900 claims submitted.

In other words, it pays for employers to prepare workers for the hot temperatures or they may end up with a higher bill in the form of increased workcover premiums.

So, what can employers do

on their part since they have no control over the weather?

For a start, workloads and schedules should be realistic and set according to the work conditions, with regular breaks and shaded rest areas for workers.

Ideally, jobs that can be rescheduled to the early morning or late afternoon when conditions are cooler should be seriously considered by employers.

Workers should also be advised to drink at least 200ml of water every 15-20 minutes to stay hydrated and avoid caffeinated beverages if possible, as these are diuretic. They're exactly what workers *don't* need!

It's not unusual for employees working in extremely hot conditions

to lose up to a litre of fluid every hour, and it is crucial for their health and safety that the lost fluid is replaced.

Providing SPF50+ sunscreen lotion, broad-brimmed hats and sunglasses are other measures that employers can include as part of the safety regime during summer.

It may sound like a lot of hassle, but getting prepared will keep workers safe and employers spared from being hit with higher premiums.

Working in the sun can sap a person's energy at an amazing rate, and exhausted workers can be a danger to themselves and their workmates. Helping them to be prepared will ensure everyone comes home safely this summer.



# Finding protection against a terror attack

The recent terrorist attacks in Paris left the world reeling, as 130 people who went out for a night of relaxation and entertainment were killed in cold blood.

Clearly the terrible loss of life far outweighs any impact on property, but such atrocities can deal a huge blow to small businesses as police cordons restrict access and tourists go elsewhere.

Australia is not immune, and the authorities are quite clear – the threat is real and it is here. Late in 2015, Australia's terrorism alert system had the nation's terrorism risk rated as "probable".

So what should businesses do to make sure they are covered should the unthinkable happen?

The first step is to build your knowledge – it's vital to understand the risk, and the process.

Stand-alone terrorism insurance cover is available, but would be prohibitively expensive for most SMEs.

The Australian Reinsurance Pool Corporation (ARPC), established by the Government in 2003, provides participating insurers with reinsurance cover for losses arising from a terrorism incident.



If an incident is declared as a terrorist attack, terrorism exclusions in "eligible insurance contracts" are over-ruled.

The insurer must pay out, and is reimbursed by the ARPC once its individual risk retention is exhausted.

However, for a business to be covered, their original policy must be relevant in the first place.

For example, if you don't have business interruption (BI) cover, then there will be no payout if your cashflow is disrupted by a terrorist event.

Even with BI, there are many variations. Some policies won't respond unless the damage is to your own property, so you could be

badly affected by an incident further up your street.

Most BI policies also won't respond if losses arise because the authorities have ordered the business to close or prevented public access.

If your property cover only addresses specific perils, then you could also be left unprotected.

Only terrorist incidents that occur in Australia are covered, so insured businesses operating elsewhere need to consider their exposure in those jurisdictions.

Time taken for the authorities to declare an attack a terrorist incident can also cause problems – the Federal Government took

a month to determine the Lindt café siege in Sydney met the criteria.

Under-pressure small businesses could be left in limbo with claims denied until a declaration is made.

It's a sad fact that terrorism is a threat we must all face up to in today's troubled times.

The chances of being caught up in an event may be slim, but the impact could be catastrophic – and no business can afford to ignore it.

Talk to us to make sure you've properly assessed the risk, understood the issues, and whether your insurance cover is broad enough to respond should the worst happen.

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