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CLIENT NEWSLETTER



Be prepared: it's vital to get ahead on renewals in a hard market

Negotiating a 'hard' insurance market

SME owners and managers have a lot on their minds right now. At the top of the list is how they can best steer their businesses through the pandemic crisis, which has put Australia's economy into a recession for the first time since 1991.

In times like this keeping a lid on costs takes on even more urgency. While businesses can do away with such variable expenses as getting a new Apple desktop or coffee machine for the office kitchen, business insurance is one essential item that simply cannot be cancelled.

So the news that the price for many types of insurance is continuing to rise – “hardening” in insurance jargon – couldn't have come at a worse time.

In the latest price tracking report from global brokers Marsh, insurance renewal rates in the Pacific region – where Australia is the largest market – increased by a record

31% during the June quarter.

Financial and professional liability saw the highest rate rise at 48%, while property rates jumped 28% and casualty recorded a 9% rise.

Marsh doesn't see prices coming down in the near term – in Australia or any other country. In fact, economic conditions are so brutal that Marsh predicts insurers will keep raising prices to mitigate the risks they are underwriting.

But here's the good news. There are a number of steps SME owners can take to achieve the best rates for their insurance programs even in a hardening market. Even when prices are on the up, there is always room for negotiation if you plan properly for it.

Start by reviewing your insurance needs before the policy expires. A headstart of

about three months is ideal. That will give you the time to research and go through what your business needs.

You will also need to document your risk control procedures. In a tough renewal market, insurers pay closer scrutiny to whether a business has taken measures to protect its premises and business assets. Such little but important actions count for a lot as you negotiate your insurance coverage.

That's where we come in. Keep us informed of your business plans as well as any possible changes you see happening in your area of business over the next few months so we can advise on ways to minimise the associated risks in the most economical way.

We know how tough it is out there, but you don't need to do it all by yourself. We're your broker and it's our responsibility to do the best for your business. Your continuing security and success is our priority, too.



Vital support: insurers protect your business from a range of risks, despite pandemic exclusions

Keeping SMEs covered is a priority for insurers

With blanket media coverage of COVID-19 and government restrictions on activities that we once took for granted, it can be easy to overlook that all the normal pre-pandemic risks to businesses remain, and it's just as important they are still covered.

Denials of business interruption and travel claims due to the pandemic have sparked headlines and sometimes give the impression insurers have taken a step backwards. But that's not the case. The industry has taken a range of actions to help SMEs maintain their cover.

It's true that pandemic risks are not covered in general, as they can affect locations everywhere all at once, and the size of the risk is greater than the capital the global industry has in reserve to meet claims.

Policy wordings were tightened after the SARS virus outbreaks

in Asia raised alarms in the early 2000s. Local regulatory stress-testing was carried out, and insurers responded to ensure their long-term resilience.

Amid the current pandemic, insurers continue to cover the usual risks businesses face, such as fire, theft and liability issues, and have been paying out claims to assist affected enterprises in getting back on their feet.

Special measures have been introduced to ensure SMEs remain covered despite changing circumstances affecting operations, and assistance is available to ease financial strains in cases of hardship.

Common changes have included continuity of cover where premises are unoccupied due to COVID-19, with no changes to premiums terms or conditions.

Policyholders who have wanted to cancel their cover have been able to receive refunds on the unused portion of their premium with no administration or cancellation fees, while premium deferrals have also been an option.

Pay by the month instalments have been available in certain cases for no additional cost, while reduced or waived excess amounts have also been offered.

In the meantime, governments have also kept a number of measures in place to support individuals and businesses, while adjusting strategies to buoy the struggling national economy as suppressing the virus remains a work in progress.

The Australian Competition and Consumer Commission has provided clearances for several major insurers to extend measures they had previously announced until the end of the

year, while other firms which devised their own customer support schemes have also extended measures.

Insurers have had to make further adjustments as the pandemic has continued and have started to look at how they can help firms recover and take advantage of opportunities as the economy revives.

These include one insurer introducing a liability extension to assist businesses increasingly serving customers outdoors as restrictions eased, while another offered grants to help eligible SMEs, with money available for advertising, equipment, business consulting and promotional printing.

So, how can these support measures help your business? Talk with us to discuss what assistance is available and how we can help you stay protected through this difficult period.

Safety net: all tradies should have appropriate insurance cover



Nailing it: having the right cover is critical for tradies

Business conditions for Australia's tradies have been in a state of flux as coronavirus pandemic restrictions have been introduced and eased, and in some cases strengthened again, and as client budgets are recalibrated.

After months of social distancing the coronavirus is continuing to have impacts across the country. In Victoria harsher lockdowns have put the brakes on many renovations and building projects and introduced new rules for tradies to navigate.

Tradies nevertheless are considered an essential service and can continue to operate according to the specified health and safety practices, and even under Victoria's stage four restrictions urgent repairs to homes have been permitted for emergency or safety reasons.

In New South Wales, the Government recommends construction companies and tradespeople develop a COVID-19 safety plan which includes strategies for physical distancing, hygiene and cleaning and record-keeping.

Looking at the wider economic picture, The Reserve Bank of Australia says spending on

homes will likely be weak for some time due to reduced incomes, employment worries and a "generalised uncertainty".

The Federal Government has responded to concerns about a downturn in the sector with the HomeBuilder scheme, which provides owner-occupiers with grants of \$25,000 to build a new property or substantially renovate an existing home.

All states and territories have signed up and grants are available for contracts entered into between June 4 and December 31.

Whatever the circumstances facing firms and sole traders, many are taking a close look at how they are positioned, and insurance is an important consideration in reducing business risks.

Each trade has different risks and needs, but here's a few areas that you should have covered for when things go wrong.

Tradies arriving at worksites should at least have public liability cover, which protects against the financial risk of being liable for personal injury to a third party or damage to their property.

Product liability insurance offers protection against problems that may emerge down the track. Potential issues include water damage caused by bathroom fittings, which could trigger the expense of fixing the initial problem while also being held responsible for resulting damage in the home.

It's easy to think that such events are unlikely, given skill levels and with all care taken, but the financial costs are high when the unexpected happens.

Tools, machinery and equipment, including portable technology, that are fundamental to the job should be covered so they can be quickly replaced with minimal disruption, while other issues to consider include vehicle insurance.

We are always available to discuss with you the best policies for your specific business circumstances, and can advise on actions you can take to reduce the chance of having to make a claim.

With all the uncertainty around at the moment, it's more important than ever to make sure the right insurance is in place to reduce the risks you face.

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