

# AIS

# Liaison

The AIS Insurance Brokers Newsletter

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CLIENT NEWSLETTER

## Flood cover: act now before it's too late

Catastrophic floods have again inundated large parts of NSW and Queensland, barely 12 months after devastating storms pounded the two states for several days last year.

The disaster may just be the final blow for many towns and communities which now find themselves having to go through the ordeal of getting their lives and businesses back on track. And they have yet to even fully recover financially from the floods of last year.

This most recent flood catastrophe has already surpassed the 2011 Brisbane flooding disaster in terms of claims damage.

Insurance Council of Australia estimates put the claims from the current disaster at

about \$2.5 billion. The 2011 catastrophe, on a normalised loss basis – defined as a way of calculation to give a present-day perspective of historical events – is around \$2.075 billion.

So why are we raising the latest east coast floods to your attention again? The answer is simple. You can't afford to ignore flood cover anymore.

We've said it before and we'll say it again. Recent events have proved that the risk is very real across large swathes of the country.

Flood cover might be expensive, but it needs to be considered.

Following the 2011 Brisbane floods, reforms were pushed through that led to the

universal adoption of a standard definition of flood. Now most standard home insurance policies provide for flood cover unless customers choose to opt out.

But it's different altogether for commercial policies, and also for some home policies in postcodes where flood is less of a possibility and more of a certainty.

But just because flood cover is not offered by default, it doesn't mean the risk isn't there or is one that you should ignore.

Here's why we want to go through again with you about including flood cover in your insurance policies if you haven't already done so.

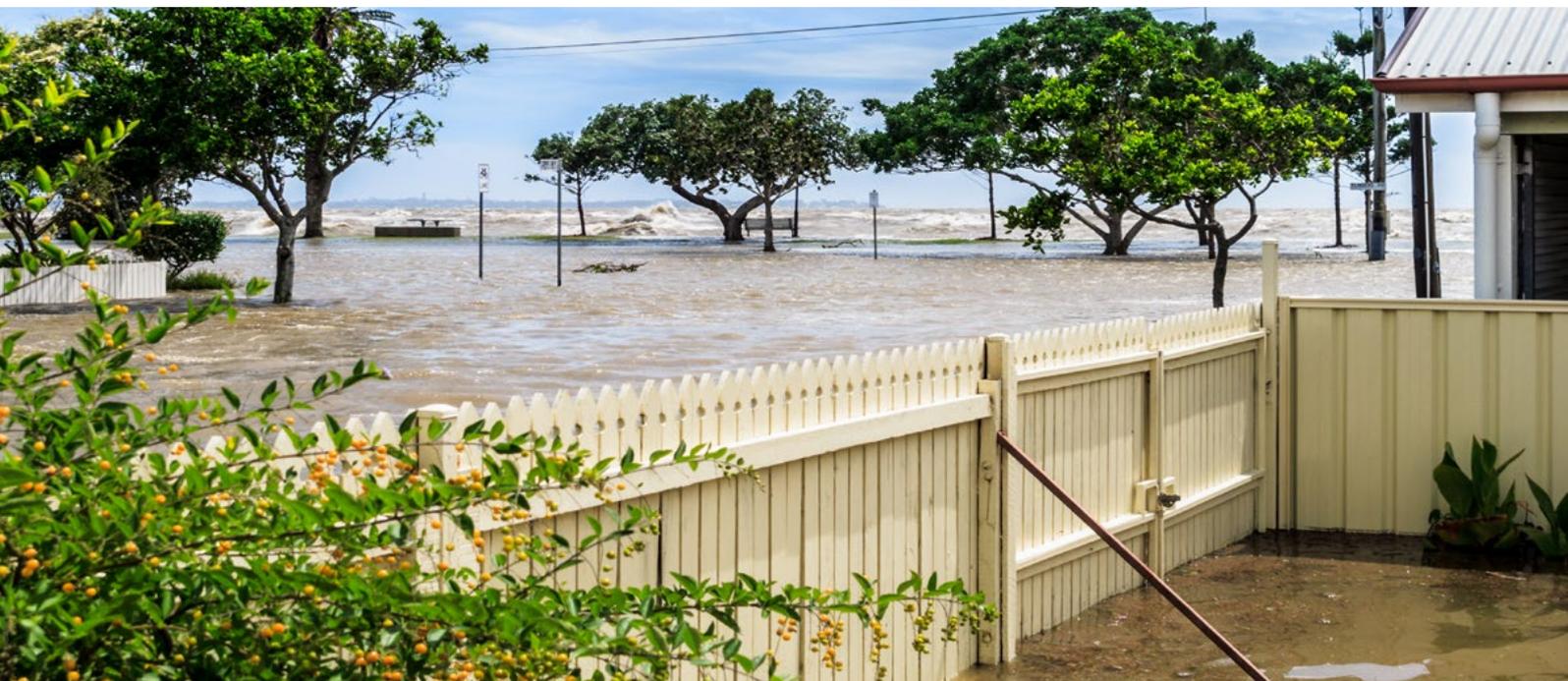
We understand the cost

of flood cover can be very prohibitive. But have you considered whether you have the financial resources to recover in the event of a flood? We hope it never happens but weather-related disasters are increasingly the norm in Australia and flood ranks as among the top perils.

Options are available even if a policy excludes flood cover. It can be worked out according to your budget.

We're your risk adviser and we want to make sure you are ready before the next flood disaster hits. We can help talk you through the options.

Don't think 'it won't happen to me' because it at some point it may well. Call us now so we can help.



Increasing threat: flood cover cannot be ignored



**Risky business: some prefer to purchase insurance direct, but the benefits of brokers are real**

## Choosing wisely – advice is highly valued in an online world

The trend towards buying more of everything online, particularly as technology makes the task easier, shows no sign of slowing, while conversely good personal service is valued more than ever.

Selecting the avenue to obtain the right level of service or most suitable product is particularly important when buying insurance, and the issue is delved into as part of an annual survey of 1500 small and medium enterprises (SMEs) conducted by insurer Vero.

This year's Vero SME Insurance Index shows more firms are buying some of their cover through the direct market and some through brokers, with less complex policies such as commercial motor more likely to be chosen without advice.

The survey also finds that personalised advice is very highly valued, with some 84% of SMEs surveyed highly satisfied with their broker.

The percentage tops 90% when the question was put to those who partially buy direct.

Ease is cited as the main reason for buying direct, with price also an influence, but the survey notes policy scenarios may not be as straightforward as they seem.

Having a broker provide a holistic perspective brings advantages, and claims experience tells a story when it comes to the benefits of our advice!

Some of the services that SMEs look to brokers to provide include recommendations on mitigating risks and information

on emerging risks, as well as advocating with insurers on their behalf, the survey shows.

Of those SMEs who had engaged a broker before making a claim, 63% were satisfied with the outcome, compared to 42% of direct buyers who did not engage a broker.

Satisfaction levels were affected by the speed of the claims handling, effective communication along the way and the money received when a policy paid out.

Participants gave a variety of responses when asked what prompted them to start using a broker in the first place, but the most common answer was that their business had grown or had increasingly complex needs.

Recommendations from business partners or financial professionals including accountants were also an influence, along with hearing about the experiences of other people after a claims event.

Taking out insurance involves many considerations, and making the right decisions becomes easier with advice and support.

That's where we come in. Benefits are clear to you from the time discussions begin, through renewal periods and especially when claims are made.

The Vero SME Index makes clear the value of a broker working for an SME business, and the enormous value that comes from having us at your side when it comes to claims. We're always prepared to advise and assist, so give us a call anytime.

# What you need to know about the new brokers' code

Come November 1, the latest version of the Insurance Brokers Code of Practice will take effect, having gone through several rounds of consultations with consumer groups, regulatory bodies and other stakeholders.

As brokers, we've always put our clients first. But now it's official: brokers will be held to the highest standard with the commencement of the new code in a few months' time, with all of its provisions designed to strengthen existing safeguards for consumers.

Developed by the National Insurance Brokers Association (NIBA), the code commits the broking peak body's members – and also non-members who are subscribers – to a list of conduct standards in their interactions with existing and prospective clients.

The code aims to guide subscribers and consumers on what to expect, and sets out the principles that shape the way brokers behave, deal with people and make decisions. And that's important as your business and your insurance

needs are our priority when we interact with insurers on your behalf.

Whether it's securing the best rate, the best cover or helping you with a claim, we seek to get the best outcome for you.

The revamped code contains a number of significant enhancements from the previous version, including an obligation to report other brokers who have breached the code, a ban on preferential remuneration, increased disclosure requirements and the obligation to identify and support vulnerable clients.

We are working hard between now and the November 1 commencement date to prepare for the new code.

There's plenty of preparation work happening as we train our staff to make them familiar with the new obligations we are all expected to abide by.

Nevertheless, we thought it is also timely to update you, our client, on what you can expect from us come November 1.

So here are some of the key provisions in the new code:

## Disclosing what we earn

When acting on a client's behalf we will not receive any contingent remuneration including volume-based commissions or profit-sharing arrangements or preferential remuneration (such as over-rider commissions) from an insurer.

## Terms of engagement

This will include information on the remuneration we will earn by arranging insurance policies and/or providing advice on insurance cover.

## Claims management

If a claim is unreasonably denied or reduced by the insurer, we will act as your claims advocate to try to get the claim paid to the extent covered by the terms of engagement.

## Transparency and accountability

We will hold each other accountable for the promotion and implementation of the code, and for observing code obligations.

## Ethical behaviour

We, our staff, and representatives are bound to act honestly and with integrity in all dealings.

## Who we act for

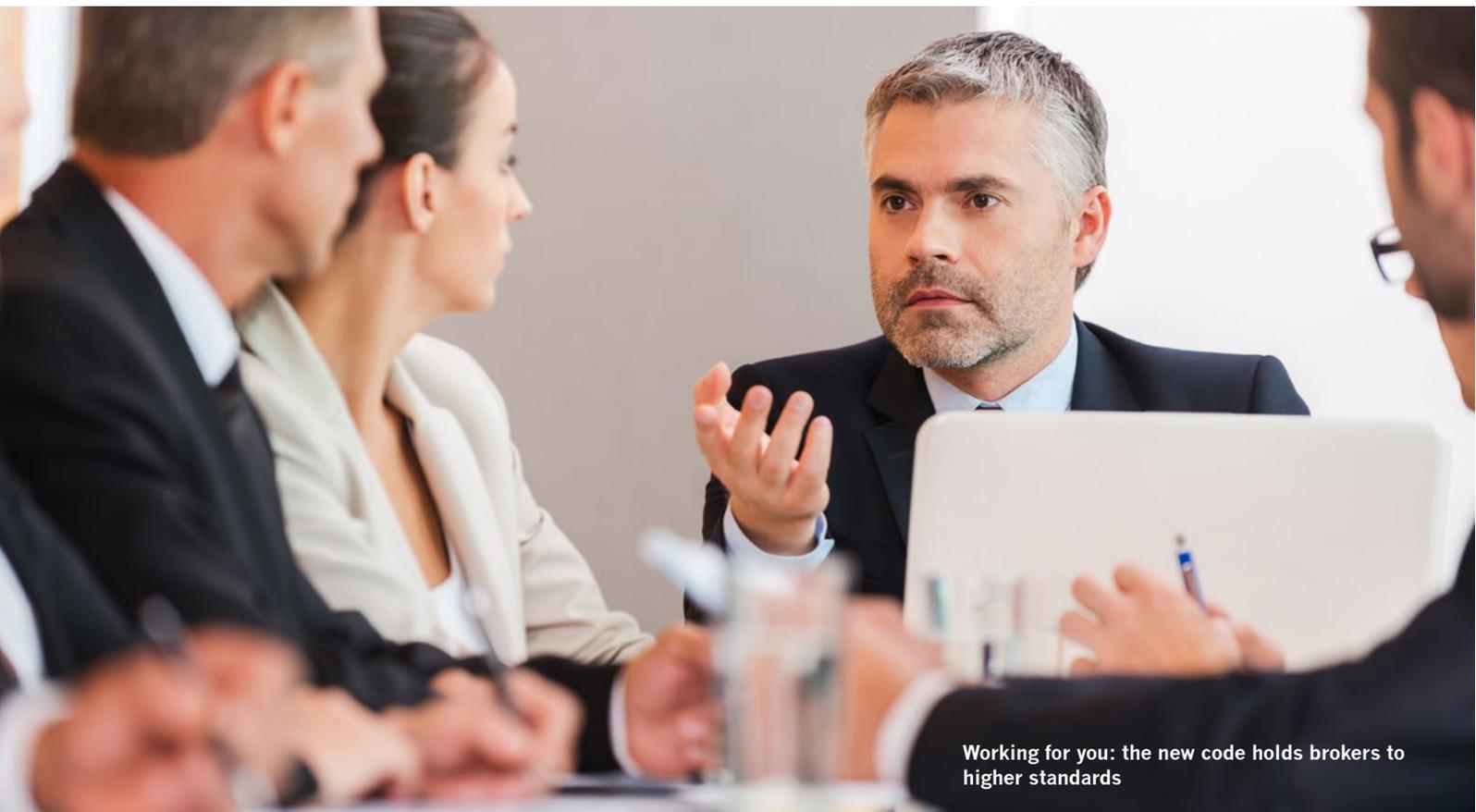
When a client engages us as their insurance brokers and/or risk advisers, we have a duty to act on their behalf and in their best interests.

While engaged by a client, we will not act for an insurer or another party where doing so would be contrary to our client's best interests.

## Professional commitment

We will ensure we and our staff maintain and improve our competence through relevant qualifications, continued education and training.

As you can see, the code of practice is a document that formalises what we've always believed in and practised: that is, you as our client will always be treated honestly and openly, and our sole focus will be on your needs.



Working for you: the new code holds brokers to higher standards



Be prepared: there's lots you can do to protect your home or business

## Practical tips in a changing climate

Recent years are a reminder, if we needed one, that Australia is ever more a land of both drought and flooding rains.

Queensland alone has experienced more than 40 natural catastrophes in the past five years, and there have been events such as tropical cyclone Seroja in WA and record-breaking floods in NSW – all evidence that destructive weather is more regularly being experienced further south and threatening areas of higher population density.

All this has brought about a seismic shift in building practices, with debates about where and what should be built to withstand the weather-related assaults of the next 50-plus years.

That's the big picture. But as pressure mounts on governments to fund major mitigation projects, there's a lot you can do yourself around your home and business premises to weather-proof your assets.

On a micro scale, simple measures such as installing metal roller blinds, draught-

stoppers and gutter guards can prevent water, wind and fire from getting inside a building.

Other options are swapping carpet for tiles or raising air-conditioning units, hot water systems and pool pumps.

Also consider roof replacements that comply with tougher standards, cyclone shutters on all windows, permanent flood barriers and flood-resistant doors and windows. For bushfires, the installation of rooftop bushfire sprinkler systems can be a life-saver.

Cost, time and having other priorities are barriers to taking action, research shows, but the bushfires of summer 2019/20 and the deadly La Nina rains this year demonstrate that the threat is all too real. Simple measures really do make a difference.

Let's look at some of the more simple prevention measures, like barriers or a floodgate on doors. Another simple flood damage prevention measure is to raise electrical switchgear so that water can't penetrate. Businesses can also consider

temporary flood barriers that can be erected around essential equipment.

Insurance companies are rewarding such mitigation measures, and say this can help make insurance more affordable for areas such as north Queensland.

One insurer has outlined premium discounts of up to 30% to recognise investment by householders in resilience measures, while another's Build it Back Better initiative provides up to \$10,000 to eligible customers to help improve resilience to natural hazards, water damage, fire and theft.

While these measures do come at a price, insurance customers undertaking resilience measures can unlock these premium discounts while benefitting from enhanced structural safety – potentially adding significant value to their homes and business premises.

Here are key mitigation measures you can take to protect your property from natural catastrophes:

**BUSHFIRE:** Metal gutters and gutter guards; Roof sprinklers; Ember protection for roof cavities; Best-practice materials like metal window and door frames.

**WINDSTORMS:** Cyclone washers and shutters; Cyclone-rated garage roller doors; Metal window screens and door screens.

**FLOOD:** Flood-resistant construction materials; Raise external services (hot water systems, air-conditioning units, etc).

The emotional toll on business-owners following a natural catastrophe can be immense, and recovering from the loss of businesses, homes and personal possessions can take years.

So it's good to know we're someone you can talk to about protecting your property via insurance while keeping premiums down through some quite simple mitigation measures. So speak to us about how you can take action now to best future-proof your assets, and gain peace of mind.

# AVIS

A.I.S. Insurance Brokers Pty Ltd

137 Moray Street  
South Melbourne 3205  
PO Box 7760  
Melbourne Victoria 3004

Telephone: 03 8699 8888  
Facsimile: 03 8699 8899  
insure@aisinsurance.com.au  
www.aisinsurance.com.au