



## INSIDE THIS EDITION

- ▶ Cheaper premiums can prove to be expensive.
- ▶ Terror attacks. Business reels. Who pays for losses?
- ▶ The false economy of underinsurance.
- ▶ Cloud computing. The hard-drive in the heavens?
- ▶ Disaster recovery. It will take time.
- ▶ Good people. First you have to find them...

## Higher Excess can mean Lower Premiums

### NOT ALWAYS A GOOD MOVE

Most insurers will allow you to increase your excess to reduce your premium. Why? Because when you increase your excess it shifts some risk from the insurer back to you. It represents a saving for insurers, as they no longer have to pay out numerous small claims.

Often people see a higher excess as one of the most effective ways to save on insurance costs but it may not be the wisest option. The reality is that when you do make a claim, you will have to pay more towards it. And in the event of multiple claims, the total can skyrocket.

Consider this scenario: Jordan and Annabelle opted to increase their excesses to reduce their premiums last year. They had 2 cars comprehensively insured through ABC Insurance as well as their home and contents. For the cars, the standard excess was \$600 but they opted to increase it to \$1000. In addition, they increased their home and contents standard excess of \$250 to \$1250. The total premium saving for the year was \$670. That's great news! Or is it?

A serious hailstorm came along that hit their home and both their cars. Claims lodged for both vehicles and home were met with an excess bill of \$3250. If they

had retained the standard excesses they would only have to contribute \$1450. So the premium saving of \$670 left them out of pocket by \$1800 at claim time.

Choose a level of excess you can afford and take the time to review your insurance schedule and policy wordings to see if you can bear the costs of excess contribution. Also, be aware that some insurers have different types of excesses that may apply in different situations or apply concurrently. Contact your insurance broker if you have any doubts or questions. ■

## The cost of Terrorism

### HOW IS IT FUNDED?

As a result of the Lindt café hostage siege in Sydney that ended in tragic circumstances, the Federal Government has now determined the actions of the gunman was a terrorist act.

This declaration was a key point for the insurance industry as the Terrorism Insurance Scheme that was created following the Terrorism Act 2003 can now fund claim settlements. The scheme is administered by the Australian Reinsurance Pool Corporation and provides a pool of money to minimise the

impacts that flowed from the withdrawal of terrorism insurance. This standard exclusion introduced to policies was necessitated by the anticipated huge costs, estimated at \$20 billion, in the wake of the terrorist attacks on New York's Twin Towers on September 11, 2001.

The Terrorism Insurance Scheme provides cover for commercial property and associated business interruption and public liability claims. It does not cover residential property or residential property contents; also excluded are myriad other types of insurance too extensive to list here.

The scheme is funded by a percentage of premium contributions paid into the reinsurance pool to ensure there are adequate funds to pay for large-scale loss that may affect property and subsequent loss of income. The scheme was established as an interim measure and is formally reviewed every three years in order to decide if there is a need to continue. The latest review in 2012 decided that in the context of levels of Australian and International terrorism at the time, the scheme would continue.

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The risk assessment and relevant premium payable by commercial enterprises is determined by postcode with inner city properties attracting a different rate to regional properties. The applicable rate is calculated from the property section of the policy and is a percentage of the existing premium – rather than a loading.

The Sydney café siege, from an insurance perspective, resulted in loss of income to many businesses that had to be evacuated due to the safety risk.

The Insurers facilitate the claims and pay as if the Terrorism exclusion did not apply; they then send the applicable amount for reimbursement via the Terrorism funding pool.

It is important to point out that claims are settled by insurers in accordance with the risks listed in your policy. The declaration of a Terrorism Act merely allows insurers to seek reimbursement from the pool.

Thankfully in the Lindt case, most surrounding business affected did not suffer any loss or damage to property but may have incurred loss of income and/or increased costs due to lost working time as a result of prevention of access to their place of business.

To be able to claim the business interruption financial loss, it is necessary for those businesses to have a policy that covers such financial losses. If you

don't have a policy then you are not able to receive any compensation.

Talk to your broker and make sure you have adequate coverage should you be faced with a similar claim. ■



## Underinsurance

### SURVEYS REVEAL ALARMING STATISTICS

Probably due to the harsh reality of the current economic climate, it is estimated that 1 in 6 small businesses have no insurance of any kind. Of businesses that are insured, half of these are insured for only 60 to 85% of Replacement Value. And it gets worse with the revelation that between 17 to 25% of ALL small businesses are under insured and risk business failure following a serious insurable event.

The most alarming part to Underinsurance is that it's predominately discovered at the time of a claim or loss, which by then is too late to rectify. This has been demonstrated on many occasions over recent years following major events such as floods, storms, bushfires and cyclones.

Underinsurance may impact a wide number of General Insurance Products, including but not limited to:

- Home & Contents Insurance
- Commercial Motor Vehicle Insurance
- Strata Insurance – both Commercial & Domestic
- Business Insurance
- Industrial Special Risks (ISR) Insurance

- Marine Insurance – both Leisure & Commercial Hull
- Transit Insurance
- Liability Insurance

Under these named Policies there are also Policy 'Sub Limit(s)' in areas such as: 1) Removal of Debris; 2) Reinstatement; 3) Extra Costs of Reinstatement; 4) Business Interruption; 5) Care Custody and Control... and all need to be considered when tailoring specific insurance contracts. These Policy areas will be discussed in more detail in future editions of Brokerwise.

There are Insurer Guidelines that provide both Underwriting and Claims considerations once Underinsurance has been discovered. Different insurers have varying degrees of Underinsurance impacts to Insurance Policies and these are always displayed as part of the Policy Coverage Terms and Conditions provided.

That is why it's imperative and prudent to constantly review your Policy Limits and sub limits as part of an on-going risk management strategy. This shouldn't just occur at Policy Renewal as asset value increases, renovations or upgrades etc.,

may have occurred during the Policy 'Insurance Period'. These reviews should be done in consultation with your insurance professional to ensure your Limits of Coverage are adequate. Don't wait until you make a claim to find out they are not.

There are many considerations when selecting Policy Limits and there are professionals such as builders who are aware of building costs and any standard changes to the Building Codes that may assist.

Property and Business Valuers are also a real asset when setting figures. Specialist insurance areas such as Business Interruption may require the assistance of accountants or financial advisors, or both, to ensure accuracy.

It's a sensible approach to discuss Policy Limits following any purchases or disposal of assets and a sound practice to ensure that your level of coverage represents a minimum of Replacement Value.

Remember, it's too late once a claim occurs to say, "I should have phoned my Broker to discuss...." ■



## The Cloud

### WHAT IS IT? WHERE IS IT?

In the simplest terms, 'cloud computing' means storing and accessing data and programs over the Internet instead of on and from your computer's hard drive. 'The cloud' is just a metaphor for the Internet. There is no real, puffy white cloud involved; it's just a 3rd party service provider's server, somewhere.

When you store data on or run programs from your computer's hard drive, that's called local storage and computing. Everything you need is physically close to you, which means accessing your data is fast and easy (for that one computer, or others on the local network). Working off your hard drive is how the computer industry functioned for decades and some argue it's still superior to cloud computing.

The cloud though, is not about the hard drive in your desktop computer or hard drive server in residence.

To use the cloud you need to access your data or your programs over the Internet or at least have that data synchronised with other information over the Internet. With an online connection cloud computing can be done anywhere and at anytime on smartphones, pads or tablets as well as desktop computers.

The serious business, and where the money is, is in the cloud-based software programs. These include 'Software as a Service' (SaaS) where businesses can subscribe to an application over the Internet (examples: Adobe Creative Cloud, Salesforce.com). There's also 'Platform as a Service' (PaaS) where business can create its own custom applications for use by all in the company. And of course the major players who offer 'Infrastructure as a Service' (IaaS) where companies like Google and Amazon provide the

backbone that can be rented out by other companies as a platform for their services; Netflix being one, a customer of Amazon cloud services and due to launch in Australia in March this year.

Cloud computing is big business. Global management consulting firm, McKinsey & Company claims that 80% of the largest companies in North America that it surveyed are either looking at using cloud services – or already are.

The cloud in its many forms is an exciting development but it also creates new types of challenges in protecting sensitive information assets. A business-focused risk-management approach enables companies to strike the right balance between protecting data and taking advantage of more efficient and flexible technology environments. ■

## Disaster recovery

### THERE'S NO QUICK FIX

The Brisbane hailstorm event of late November 2014 led to more than 102,300 claims worth \$1.08 billion. The storm caused extensive damage to homes, businesses and vehicles as it ripped through the city at rush hour.

The event may have slipped from front-of-mind position for many of us but there is a stark reminder in the number of Brisbane houses still displaying tarpaulins and boarded up windows. The relative slowness of repair and recovery is testament to the storm's severity. Even now, 3 months on, indications are that for many property owners, full recovery still has a long way to go.

The delay is not the fault of the insurers whose claims teams swung into action even before the hailstorm ice had melted. In fact, recent reports by CQIB members citywide have confirmed and applauded

the speedy response by insurers to the avalanche of claims they received.

The problem is one of materials and labour - supply and demand. With so much damage and destruction following a major storm event, large numbers of tradesmen of all kinds are needed together with massive amounts of building materials.

For the owner of damaged property, the to-do list is long: finding tradesmen, obtaining quotes, scheduling repair work... all subject to availability of manpower and the necessary building supplies.

One industry provides an insight into the size of the problem – glass replacement.

O'Brien Glass reported that they have over 5000 repair customers to service and just 2 weeks after the storm had already replaced over 1900 glass panels out of an estimated total of 20,000. Adding to the O'Brien workload was the high number of older "Queenslander" style homes, often with high, above the ground wooden window

frames requiring multiple glass panels, many of them unusual or colored glass not readily available and difficult to source.

Building industry trades of all descriptions experienced similar manpower and materials shortages. Motor vehicle insurers brought in interstate assessors to help handle the workload and one tow-truck operator collected over 600 storm-wrecked cars before Christmas.

It's expected that owners of the more seriously damaged buildings may be waiting up to 18 months before they can re-occupy their premises.

Whether you escaped the November 2014 storm event or your property received major or minor damage, there's no doubt the best defence is to have adequate insurance.

Review your policy to be sure the cover meets your expectations and the sums insured are enough to make things right if your property is in its path when the next storm hits. ■

## How do you find good staff?



For decades, the employment section of the newspaper was traditionally the way job seekers got connected with employers...but that doesn't work anymore! Job seekers, especially young ones, just don't bother looking there.

The job-hunting space has been taken over by web-based employment agencies such as Seek and myriad jobs boards in niche industries, colleges and universities. Social media in all its forms also offers opportunities for employers seeking staff. With some exceptions, 21st century technology has seen the demise of newspaper classifieds as the conduit between a job seeker and their next job.

On the upside, internet-based employee hunting is proving a cheaper and more efficient way of finding that 'ideal' person.

On the downside, it can mean that employers will receive a large number

of applications from people who do not have the required skills or experience. Reducing the deluge of applications to a short list takes a lot of time and resources.

An alternative is the recruitment company. They have extensive databases of 'good fit' potential candidates which enables them to provide suitable applicants at short notice. Recruitment agencies can be costly, however, a benefit is the 'suitability guarantee' that usually comes with the successful candidate.

Another difficulty for employers, especially in very small businesses (2 to 5 staff), is the many hats that an employee in a small firm needs to wear. The ability to multi-task with reasonable efficiency is not everyone's idea of a perfect job. Fortunately, there are many individuals who thrive on the stimulation of job variety rather than the fixed, clearly defined job role description that starts 'here' and ends 'there'.

Generally, people who are comfortable multi-tasking and working across different roles, are the diamonds that small business is looking for to provide the necessary flexibility, so essential in small business. ■

**Next issue: "Now that you've got them, how do you keep them?"**

## Wise words

**"If you want to kill time, try working it to death."**

— Sam Levenson

**"What the country needs are a few labor-making inventions."**

— Arnold Glasow

**"The secret of getting ahead is getting started."**

— Mark Twain

**Be sure. Before you insure!**

**Ask your CQIB broker about...**

### **Commercial and Retail Insurance**

- Business Property
- Business Interruption incl Loss of Rent
- Liability
- Burglary and Money
- Glass Breakage
- Machinery Breakdown
- Computer
- Goods in Transit
- Tax Audit
- Motor
- Contract Works
- Commercial Strata

### **Liability**

- Public and Products Liability
- Professional Indemnity
- Management Liability
- Directors and Officers
- Employment Practices Liability
- Statutory Liability
- Cyber Risk

### **Private and Domestic Insurance**

- Home and Contents
- Car, Caravan, Boat and Trailer
- Travel
- Residential Strata

### **Life, Disability and Partnership**

- Life / Accident and Illness
- Term Life
- Long Term Disability / Income Protection
- Key Man
- Superannuation

The CQIB represents over 60 Queensland firms employing nearly 400 staff and placing in excess of \$500,000,000 in annual premiums. The CQIB charter is to maintain the level of professionalism of its members by the sharing of knowledge, information and ideas.



For more information visit  
[www.cqib.org.au](http://www.cqib.org.au)

The articles in Brokerwise are provided as information only. They are not general or insurance broking or legal advice. It is important that you seek advice relevant to your particular circumstance.

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