



# Brokerwise™

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## Prevention

### CHEAPER THAN INSURANCE

When counting the cost of disasters, the personal mental anguish of losing everything suffered by many cannot be measured in financial terms alone. Insurance may help rebuild property but many people never recover from the trauma endured and face months or years in a state of fearful anxiety.

Rather than continue to rebuild what falls down or floods repeatedly, isn't it time responsible authorities learned nature's lesson and did things differently?

In Northern Australia some communities are doing just that with new building and infrastructure standards that have already been proven with reduced property damage as the cyclone season shows up on its annual visit. Less damage to homes and infrastructure means less trauma and anxiety for residents who are then better able mentally to fix what's broken and get on with life.

Community leaders in Grantham SEQ are now praised for their proactive decision to invest in the safety of their residents by moving the town. With the coming of another major flood, a mere 2 years after the devastating summer of 2010/11 event, we can imagine the relief that must have been felt by the residents as they watched water rise but leave them unscathed. By moving the town, not only are homes and infrastructure preserved, the properties are now in low flood risk areas and insurance premiums can remain at relatively low levels. A huge saving on many levels for all – not only for residents but also for local, state and federal governments.

Similar feelings of relief washed over the Grafton NSW community as they sat and watched floodwaters flowing past but blocked from the town by the community built levee banks. Once again, community

leaders had the foresight to prepare and construct defences.

In many other parts of Australia however, enlightenment is slow to dawn and authorities continue with the pattern of rebuild, crumble, rebuild, crumble... ad infinitum. Why?

Communities regularly hard hit suffering major damage to homes, lives and infrastructure need damage prevention not damage clean up. Eventually there will be no rebuilds possible in these areas as insurance premiums rise to unaffordable levels or insurance companies desert the market.

Insurers are commercial enterprises that can only help to a certain extent following major disaster. Governments at all levels have the responsibility of the heavy lifting. It would be good to see more courage and innovation from those sectors. ■

## Insurance... A Grudge Purchase

### OR NECESSARY EVIL?

When it comes to insurance, the terms 'grudge purchase' and 'necessary evil' are often used and interchangeable for most of us. After all, we are about to pay for something we hope and perhaps expect, will never be needed.

This is why many will search for a cheaper insurance policy and so become susceptible to the claims and promises of some online and TV ad marketing offers and products.

An evaluation of a house policy offered by a well-known direct insurance

marketer was recently conducted which revealed some unusual conditions and eyebrow raising exclusions in their offering. Lack of space prevents us going into detail but generally, the low cost of the insurance was commensurate with the inadequacy of the cover.

There was also a situation where the insured will be required to pay an amount of money, *that the Insurer nominates*, where they have repaired your property and that results in it being in a better condition than before.

Further... there was the requirement that...

'All repairs must be fully completed within 6 months from the date of acceptance of the claim'. 'You must maintain a valid email address'. 'You must advise them of any incident...whether you intend to claim or not...within 30 days of occurrence'. The implication was that non-compliance with any of the forgoing might be used as grounds to reject the claim.

The old adage "let the buyer beware" applies when buying insurance on price alone. Play safe, be informed and talk to a CQIB member broker before making a decision. ■

## How Do I Protect My Business

### ...IF MY CLIENT'S BUSINESS FAILS?

Analysis by Dun & Bradstreet of business start-ups and failures found that the number of small businesses going bankrupt jumped by 48 per cent over the last 12 months, while small business start-ups fell by 95 per cent over the same period.

According to Dun & Bradstreet CEO, Christine Christian, Australian business failures have trended steadily upwards since 2008.



“There is an increasing risk that the global economic slowdown will intensify the upward trend in insolvencies”, Ms. Christian said. “Despite recent interest rate cuts, there is a palpable lack of confidence in the current operating environment. This is obviously one of the side effects of long standing global uncertainty.”

“Outside the mining sector, sentiment is generally still poor and the strong Australian dollar is straining profits. This could lead to an increase in business failures in 2013.”

“Cash flow is the mitigating factor here, particularly for small businesses who feel the effects a lot faster than larger companies with cash reserves to match. Businesses should take precautionary measures to reduce their level of financial and operation risk.”

One of the ways businesses can mitigate their financial risk is through Trade Credit Insurance, a product that provides protection against bad debt, insolvency, bankruptcy and export trade.

Key Benefits of Trade Credit Insurance:

- Balance Sheet Protection – it can avoid accumulation of debts in your balance sheet due to late or non payments.
- Cash Flow Relief – the loss incurred is indemnified by the trade credit insurer, thereby maintaining your company’s cash flow.
- Enhance Competitiveness – expand sales securely in existing and new markets.
- Finance Assistance – you obtain possible higher levels of funding at better rates.

Trade Credit Insurance is a pro-active approach for an unforeseen event. ‘Trade Receivables’ is usually the second largest asset many businesses have. If businesses don’t protect it, they incur the risk of weakening their balance sheet or, in worst cases, becoming another business failure statistic.

For more information about this product, contact your insurance broker. ■

## Flood Prediction

### TECHNOLOGY MARCHES ON?

Australia is a country "of droughts and flooding plains" and in recent times, it seems we have entered a pattern that swings from one to the other and back again.

In Queensland, floods are a leading cause of major disasters with Brisbane recording major floods in 1841, 1857, 1893 1931, 1974, 2011 and 2013.

As the towns and cities experience urban spread, many vulnerable areas have been used for housing or commercial buildings, hence increasing the community exposure to flood damage to such a level that some communities may not

be able to afford the financial burden.

With every flood, media interviews seem to contain the words "well it never flooded before" which implies that the public rate the flooding potential mostly on history. Insurers certainly consider flooding events history, but the main focus now for Insurers is the need to predict future floods and their extent and calculate the financial cost of future losses.

Topographical maps and rainfall records provide evidence of factors that play a part in flooding. In the 2013 event the data showed the effects of where the rain fell which was different to that of the events of 2011 and 1974. The tidal influence also plays a major role with the ocean allowing

the flooded rivers to empty or conversely, restrict a smooth flow of water into the sea.

As the 21st century unfolds, rapid advances in technology have added significantly to the accuracy of flood mapping. Street by street, mapmakers have set about measuring the height of every square kilometre of land in our cities and major towns, nationwide. They’ve used satellite images to do it, they’ve sent out a squadron of light planes armed with radar and cameras, and they’ve employed highly sophisticated computer modeling.

The maps they produce are forensic documents with mapping accuracy



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improved from just identifying a general area to specific streets and now to street numbers.



As flood loss prediction technology improves, a property that was threatened but not flooded last time may incur an insurance premium flood loading in future because of other changes in the topography in the local area.

A prerequisite for effective and efficient flood management is the in-depth knowledge of the prevailing hazards and risks. This includes information about the type of floods (static, dynamic, coastal etc.), the probability of a particular flood event, the flood magnitude, expressed as flood extent, water depth or flow velocity, and finally, the probable magnitude of damage.

To enable the correct premium calculations for the risk, the insurance industry has spent considerable time, energy and funds in building projected financial flood outcomes and future levels of exposure. It is possible that some insurers may have different projections and hence different levels of premiums may apply to the same risk.

To make an informed decision on your flood exposure when considering a property purchase in a risk area, viewing the government flood maps may not be sufficient and you would be wise to have your insurance broker obtain insurance quotes before you purchase that property. ■

## Held to Ransom

### DATA FOR SALE?

The Internet and the email: two most essential tools absolutely crucial to 21st century business operations.

Whether it be online e-retail sites, internet banking, marketing to prospects, contacting clients or communication with suppliers, statistics tells us that business – small, medium and large, now use these forms of electronic connection on average 12 times more than any other form of communication.

But while they are necessary to run and grow your business, equally they can be one of the easiest paths to ruin.

Internet and Data Security breaches are now commonplace with international data crime gangs targeting businesses globally.

These gangs use sophisticated methods and systems such as Malware, Ransomware and Data Phishing. Essentially, all these are aimed at infiltrating your systems and hi-jacking your data.

They plan to steal your user names, passwords, access your accounts and pins, make purchases, or simply sell information about you to other parties for use in illegal purposes. Their goal is money

with no thought of their victim's ruined credit rating, lost money and ruined lives.

If your computer is successfully hacked and data locked up, the criminal's promise to return your data is usually subject to your payment of a ransom demand; which probably will never happen even if payment is made. Whilst law enforcement authorities state that the smaller ransom demands are known by the criminals to be more successful, demands in the thousands of dollars have been seen recently in Australia in the small business sector.

There are ways to counter the crooks, protect your systems and your business. Industry specialists recommend these actions to protect against cyber predators:

- Use a firewall.
- Update your system regularly.
- Increase your browser security settings.
- Avoid questionable websites.
- Only download software from sites you trust.
- Use antivirus protection.
- Install antispyware protection.
- Use a pop-up blocker.

Most importantly, instigate a regular data back-up regimen with at least one copy off site. In addition, Cloud storage via Dropbox or similar services is a growing and reliable option.

When all else fails, further protection is available in the form of new and developing insurance products that can help you pick up the pieces following a cyber attack event.



As software developers know, hackers develop viruses and intrusive encryption systems even before a new piece of software is released to the market. Do what you can to keep your commercial information safe and talk to your CQIB broker about what covers are available to stay one step ahead. ■



# Qld Workers Comp Act Reforms

## REVIEW BROUGHT FORWARD

The Queensland Finance and Administration Committee is currently conducting an inquiry into the operation of the Queensland Workers' Compensation scheme.

This review was initially due to take place later this year but was brought forward by the LNP Government.

A number of reforms were made to the Workers' Compensation and Rehabilitation Act 2003 that came into force on 1 July 2010. The reforms were designed to address a growth in common law claims in previous years. The Committee has been asked to review whether these reforms have worked and also to compare the Queensland scheme to the schemes in the other states.

By all statistical measures the Queensland scheme is close to, if not the most successful scheme in Australia. Indeed, other Workers' Compensation schemes in other states have returned very poor results in recent years. The only scheme in Australia that currently has lower employer premiums than Queensland is Victoria, and they last year suffered a substantial loss (approximately \$675 million). It is expected that their premiums will need to rise to respond to this loss.

Current indications are that the legislative reforms that came to force in 2010 have led to a reduction in claims.

Notwithstanding the above, it appears that the government may well be considering making further changes, although that is purely speculative at this time. One reform that the government is thought to be considering is bringing in an injury threshold which an injured worker must reach to be entitled to bring a claim for common law damages. In simple terms, this means that a worker would need to be assessed as suffering from a percentage impairment above the designated threshold before they are entitled to sue for damages. A similar scheme is in place in New South Wales (one of the country's poorest performing schemes). NSW has a very substantial threshold of 15%, which denies many seriously injured workers' an entitlement to common law damages.

A further possible reform that has been mooted is to broaden the base of self-insurers by reducing the minimum number employee threshold from 2000 to perhaps something like 500. This would likely lead to a possible further 10-15 employers becoming self-insurers, rather than having to insure through WorkCover.

A further possible reform would be to abolish so called "journey claims". These are claims arising when a worker is injured whilst travelling to and from work. Such claims have recently been abolished in New South Wales.

The Committee was due to report to Parliament by 28 February 2013. ■

Be sure. Before you insure!

Ask your Council of Queensland Insurance Broker about...

### Commercial and Retail Insurance

- Business Property
- Business Interruption and Loss of Rent
- Liability, Money, Glass Breakage
- Burglary
- Machinery Breakdown
- Computer
- Goods in Transit
- Contractors Risk
- Motor
- Tax Audit

### Liability

- Public Liability
- Products Liability
- Professional Indemnity
- Directors and Officers
- Employment Practices Liability

### Private and Domestic Insurance

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

### Income Protection Insurance

- Long Term Disability
- Sickness and Accident

### Life, Superannuation, Partnership

- Mortgage Protection
- Key Man
- Term Life
- 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.

# Wise words

"Being defeated is often a temporary condition. Giving up is what makes it permanent."

— Marilyn vos Savant

"Education is when you read the fine print. Experience is what you get if you don't."

— Pete Seeger

"A jury consists of twelve persons chosen to decide who has the better lawyer."

— Robert Frost

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