



Brokerwise

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Insurers weather the storms

STRENGTH IN THE AUSTRALIAN INSURANCE INDUSTRY

Early in February 2009 The Australian Prudential Regulation Authority (APRA) released its Half Yearly General Insurance Bulletin. The information it contains is compiled from audited annual returns



from APRA-regulated general insurance companies for their financial years ending in the period 1 July 2007 to 30 June 2008.

Of particular note is the sustained profitability of the insurance industry even allowing for the increase in incurred claims and the decrease in investment income that have occurred during the period.

APRA Member John Trowbridge said the industry has endured the difficult financial conditions well but underwriting profits have begun to show the effects of the series of weather events suffered in the last two years.

"The Australian general insurance industry has to date negotiated the global financial turbulence without any material adverse impacts. This is primarily due to strong levels of capitalisation, a conservative approach to investments and a generally close matching of assets and liabilities to mitigate effects of changes in interest rates on balance sheets," he said.

Despite the recent Brisbane Storms, the North Queensland Floods and Victorian Bush Fires estimated to cost insurers at least \$1.5 billion, the insurers are standing firm and meeting the claims made by their policy holders. The most recent press release from the Standard and Poor's rating services stated that, "the Australian non-life (general) insurance industry is financially and operationally well placed to respond to the financial impact of the Victorian bushfire disaster."

So while major banking firms continue to surprise everyone with mind boggling revelations of toxic debt, you can rest assured that the Australian Regulated Insurance companies underwriting the policies for your house, car or business are sound. ■

Dollar drop cuts cover

Over the past six months the value of the Australian dollar has dropped by as much as 40% against the US Dollar and with much international trade conducted in American Dollars these fluctuations can have a significant affect on insurance claims.

The sums insured in your policy are stated in Australian dollars and a fluctuation in the exchange rate that makes your stock more expensive

to replace, if you need to make a claim, may leave you short.

Most people only review their sums insured annually so in times of financial turbulence it's best to build in some margin for this higher cost of forward orders and also to insure your stock for the maximum stock level you are likely to have for the year.

You will be surprised how little extra it costs to increase your fire sum insured to a safer level. ■

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More than just a windshield

AUTOMOTIVE GLASS TECHNOLOGY

What is the purpose of the windshield in a modern vehicle? Is it a weather barrier, a projectile shield, a bug screen? In reality, a windshield is all those things and more, including a safety device. It is as important to your security while on the road as a seat belt, child seat, or even the air bag.



The role of glass, particularly in windscreens, is changing incredibly fast. Today's large multi-functional screens couldn't possibly be a further cry

from the rudimentary 'wind-stopping' glass first used on motor vehicles.

Vehicle glass is now integral to car designs. Previously, insurance claims may have resulted in the simple replacing of a windscreen. But in the future, there will be a need for insurance cover of glass that accommodates the complex functions built-in. These versatile functions go well beyond just protecting the occupants of a vehicle.

ALL THINGS CONSIDERED, AUTOMOTIVE GLASS IS EVOLVING

Generally, sizes and weights are getting larger.

Thinner glass is being used to reduce weight over larger areas.

Laminated body glass is a common feature.

Shaping and curving is becoming more pronounced.

Tints and colours are increasingly available.

Encapsulation is seeing the trim pre-fitted to the glass.

Rake angles are becoming more acute.

FUNCTIONALITY IS EXPANDED

Satellite navigation integration

Wire heating

Solar reflective coatings

Solar control

Bluetooth integration

Humidity sensors

Rain Sensors

Light sensors

The role that glass has played in the automobile has changed greatly over the last century, going from a simple transparent panel, keeping the wind out of the face of the driver, to a safety device that contributes to the crash dynamics of the vehicle as well as providing a raft of space-age features. ■

Skipper and crew times two

BOAT TIME-SHARE

Boating is a popular pastime for many Queenslanders and the number of new boat owners continues to grow. Shared ownership or use through boat-share schemes have become increasingly popular due to reduced costs associated with sharing a boat.

A number of companies have emerged offering a range of often complex boat-share scheme arrangements. Unfortunately this sometimes involves incorrectly registering boats which are generally commercial in nature as recreational boats to avoid having to comply with stringent commercial registration and licensing standards.

Maritime Safety Queensland has concerns about the safety of boat-share scheme members and members of the public on the water. These concerns relate to the frequent usage of boats not subject to standardised construction and design requirements; inadequate carriage of safety equipment; and boats operated by inexperienced masters.

A new paper released by Maritime Safety Queensland entitled 'Boat-Share Policy' is an important read for all boat owners if their boat has shared ownership. Its purpose is to highlight the fact that boats in these schemes may have been incorrectly registered which is a potential insurance cover problem having serious implications.

Operators are being urged by Maritime Safety Queensland to make sure their vessels are properly registered. To assist there is a transition period offered for the correction. More information is available from the MSQ website. ■

www.msg.qld.gov.au





Insurance review – 2008 scorecard

CODE OF PRACTICE REVIEW – 2008 STATS



Statistics coming out of the General Insurance Code of Practice review for the 2008 financial year reveal a 9% increase in the volume of claims made... with a healthy 98% of them being paid.

The increase in claim numbers is attributed to several severe weather events during the reporting period. The upshot of this additional pressure on insurance companies is expected to be an increase in premium rates on a wide range of cover categories.

For the number crunchers out there:

The total number of claims within the Australian insurance industry increased by 9% to 3,675,105 claims in the 2008 reporting period.

Of these 502,566 were commercial claims with 493,693 claims paid.

The vast bulk were personal lines of insurance claims totalling 3,172,539 of which 3,103,106 were paid.

How the claims volume for 2009 will stack up is anybody's guess when you consider we are only just two thirds the way through the financial year and already Australia has been hit with bushfires, floods and storms of unprecedented ferocity.

Even more upward pressure on premiums is the logical outcome.

Watch this space. ■

Swift response from insurers

INSURANCE INDUSTRY TO THE RESCUE

The Insurance Council of Australia released details recently with updated claim and repair cost statistics for South East Queensland's worst storms in 25 years. The storms caused havoc in Brisbane during late November 2008 with leafy western suburb, The Gap, bearing the brunt of Nature's fury and soon declared 'a disaster area'.

Insurance companies wasted no time mobilising their assessors

and other personnel on location to process the deluge of claims.

Three months on and the clean up and repair activity continues with many of the badly damaged homes having no chance of restoration before late 2010. The delay being due to the sheer logistics of the volume of building materials and manpower required to complete the repairs.

"To date (30/1/09), insurers have received 34,000 claims, with an approximate insurable value of \$309

million. The overwhelming majority of claims are for minor damage to vehicles and property," said Ms Kerrie Kelly, CEO of the Insurance Council. "Among the 34,000 claims there are approximately 172 homes that require very significant repairs," she said.

The Insurance Council congratulated the Queensland Government and the Brisbane City Council on the establishment of a fast tracking process for building applications to assist with a faster recovery effort. ■

On a lighter note

The Washington Post publishes a yearly contest in which readers are asked to take a word from the English language and by adding, removing or changing only one letter create a new word. Here are few of this year's winning entries.

Goodzilla: a giant lizard that puts out forest fires by stamping on them.

Guillozine: a magazine for executioners.

Burglesque: a poorly planned break-in.

Hindkerchief: really expensive toilet paper

Nazigator: an overbearing member of your carpool.

Tatyr: a lecherous Mr. Potato Head.

Hipatitis: terminal coolness.

Sata: a mythical being who brings toys to bad children.

Glibido: all talk and no action.

Hindprint: indentation made by a couch potato. ■

Insure your debtors!

THE TRADE CREDIT INSURANCE LIFELINE

In these uncertain times, businesses are failing and it is widely forecast that insolvencies will climb dramatically over the next eighteen months. The troubles experienced by high profile companies such as ABC Childcare, Centro Properties and Babcock and Brown highlight how it is often very difficult to predict which companies are facing imminent financial difficulty. Away from these headline grabbing companies, many small to medium sized businesses are facing reduced sales and pressures from financiers.



Trade Credit Insurance protects businesses against commercial bad debts that arise when selling goods and services on credit terms to other businesses. It covers the non-payment of debt following the event of insolvency or protracted default by the debtor.

The benefits of this type of policy for the insured are plentiful. As well as the added confidence which it provides, it allows the insured to:

- **Protect cash flow**
- **Increase sales with reduced risk**
- **Preserve profit**
- **Extend more credit**
- **Improve banking arrangements**

Premiums can be calculated either on a percentage of turnover or a fixed fee basis and the product can be tailored to the insured. For example, a client might decide not to insure a particular buyer, such as a very large organisation.

Insurers' appetites vary dependent upon the occupation, so contact your broker who will be able to assist and provide further information to suit your circumstances. ■

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 50 Queensland firms employing nearly 400 staff and placing \$400,000,000 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

This publication is a general summary only and should not be relied on as a substitute for insurance broking advice.

on.Work

Wise.words

People who work sitting down get paid more than people who work standing up.

— Ogden Nash

“Hard work spotlights the character of people: some turn up their sleeves; some turn up their noses; and some don't turn up at all..”

— Sam Ewing

“Anyone can do any amount of work provided it isn't the work he is supposed to be doing at the moment.”

— Robert Benchley

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