

INSIDE THIS EDITION

- » Importance of travel insurance - a little less cloudy
- » Complete cover around the home
- » Queensland WorkCover \$90M black hole?
- » Court opens flood gates on insurance claims
- » Business Interruption cover is so important
- » Pros and cons of a cash settlement
- » The expanding use of drones

After the ash settles, the value of insurance is clear

If there has been one good thing to come from the Bali flight cancellations caused by the volcanic ash, it was more awareness of “the value of quality Insurance products”.

The Insurance Council of Australia (ICA) estimated that one in four people heading to Bali did so without cover prior to the 2015 eruption of Mt Raung.

Whether travelling abroad for business or pleasure, the effect of the “Bali Ash” situation has highlighted the importance of obtaining adequate Travel Insurance coverage prior to departure.

There are many insurance policies, including some that are attached to credit cards, that don’t provide coverage for flight cancellations and further on-going costs associated with the cancellation. Certain policies provide coverage for

medical expenses only and are priced accordingly.

It is reasonable, dependant on your chosen Insurer, to expect that all “out-of-pocket” expenses should be reimbursed. Also, if ever you find yourself in a position where you need to make a travel claim



here are some “tips” that may assist -:

- Get it down on paper
If your flight is cancelled or delayed, obtain written proof from your airline.
- Contact your Insurer/Broker:
Before paying for any extra accommodation or flights check with your Insurer/Broker that added costs will be covered.
- Keep receipts:
Your Insurer will need some type of proof of payment in order to pay out your claim.

Whether you’re a vacation veteran or first time flyer, any type of natural disaster can cause frustration. Whilst you always plan for the unexpected, a good understanding of your travel policy can help to smooth out any holiday hurdles.

As always check with us to ensure that you have appropriate and adequate coverage.

Don’t be caught without coverage

If you run a business, you probably know what protection is required for your employees under worker’s compensation rules.

But what about workers in and around your home?

Babysitters, cleaners, gardeners, home help etc are all domestic (or household) workers and a household worker policy with WorkCover Queensland is needed to cover you for possible claims made by a worker who might be injured while in your employ.

The definition of a household worker is a worker, usually providing labour only, that you employ solely in and about, or in connection with, your own private

dwelling or its grounds.

A household workers’ insurance policy will cover the cost of compensation payments as well as hospital, medical and other expenses.

If you don’t have cover and an accident occurs, a claim by an injured worker on WorkCover Queensland may result in you being hit for recovery of the entire WorkCover cost of compensation plus 50 per cent penalty.

Yes, we know the risk of a serious mishap is relatively low. But so is the cost of a policy and a small price to pay for peace of mind.

In depth WorkCover information is available at www.workcover.qld.gov.au/



WorkCover roll-back a costly reform

The roll-back of Campbell Newman's WorkCover changes could result in payments of up to \$80 million for workers, with additional legal fees in excess of \$12 million, which had not been budgeted for.

In October 2013, the Newman Government introduced an injury threshold, which prevented workers commencing common law actions against their employer, unless the degree of permanent injury was in excess of 5 per cent.

While this was new for Queensland, most states already had thresholds in place, which restricted this type of access, and in some cases, much higher thresholds.

Labor pledged to repeal the WorkCover Laws and when the Palaszczuk Government won power, they promised amendments to the Act and to roll-back the changes introduced in 2013.

The key changes, which have recently been enacted include:

- Removing the 5 per cent degree of



permanent injury threshold

- Allowing injured workers, who were affected by the threshold (between 15th October 2013 and 31st January 2015) to obtain additional compensation

- Removing the ability of employers to obtain a copy of the claims history of prospective employees

As the 5 per cent threshold had been in place for less than two years and has now been retrospectively removed, it is impossible to determine the impact of the original changes.

However, WorkCover boss, Tony Hawkins has expressed concerns over the changes.

"A costly and uncertain reparation scheme has the potential to increase premiums and does not emphasise return to work outcomes," he said.

While the opposition and employer groups fear the changes will put pressure on premiums, Queensland Treasurer Curtis Pitt maintains that the changes will not impact the average premium rate.

Quick-thinking broker gets results

One Body Corporate has saved \$250,000 thanks to the hard work and dedication of its Insurance Broker.

During the January 2011 Brisbane Floods, the Body Corporate building suffered severe damage with over two metres of water inundating it.

Unfortunately, there was no flood cover under the policy wording, so the Broker recommended the Body Corporate lodge a claim with the Insurer so an assessor and a hydrologist could be appointed.

During this time, most insurance companies were awaiting the outcome of the various reports from the Insurance Council of Australia, The Financial Ombudsman Service (FOS), Queensland Legal Aid and hydrologists reports before making any decisions.

In August 2011, the Insurer finally came back with a decline based on the flood exclusion. The decision was obviously



not favourable for the client and the matter was referred to the FOS to review.

The argument was that the water came up from the drains and not from the river as stated in the flood definition; '...the inundation of normally dry land by water overflowing from the normal confines of any natural watercourse or lake (whether or not altered or modified), reservoir, canal or dam'.

In November 2011 FOS came back with a decision and concurred with the Insurer's decline based on the flood definition and agreed the water came in via the overflow of the river.

During this time, a court case was underway with the same Insurer and a different client whose building was in the same vicinity and suffered similar damages from water coming in via the storm water drainage pipes. The Queensland Supreme Courts found in favour of the client and the Insurer was found to be liable to cover the loss occasioned by the water damage.

Knowing the outcome of this court case set precedent for other claims of a similar nature; the Broker used this information to ask the Insurer to revisit his client's case.

Great news for the client, as the Insurer overturned their previous decision and agreed to cover costs which totalled in the vicinity of \$250,000.

The circumstances of this particular case were unusual and unfortunately it did not lead to a widespread change to the Insurers general approach to flood claims, but thankfully flood cover is now much more widely available.

Expect the unexpected

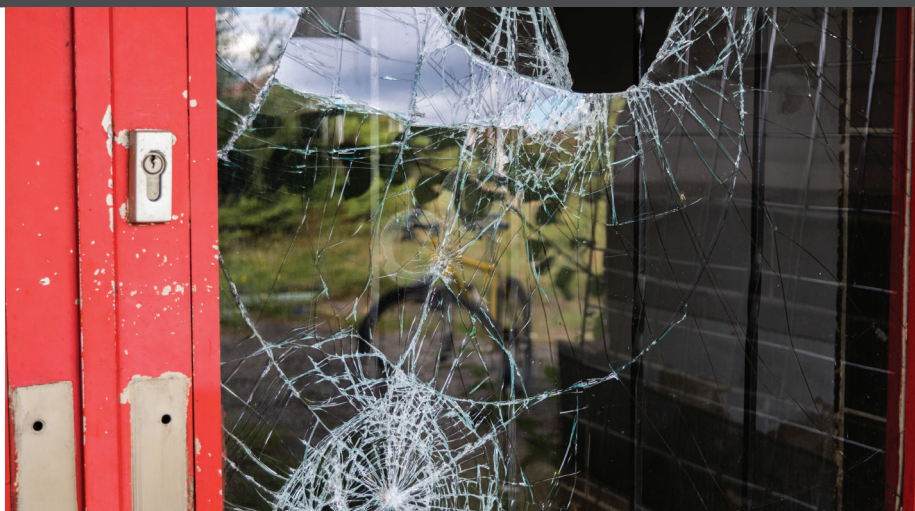
Business interruption insurance is often something that is overlooked by small businesses, yet its importance is paramount in ensuring adequate cover.

One small business owner learnt just how important having adequate cover was, when their successful sporting retail store was vandalised.

The vandalism included spray painted walls, clothing and stock as well as damaged counters, doors and glass, with a staggering 85 per cent of clothing needed to be replaced.

While the insurance policy included contents and stock cover, unfortunately the level of cover had not been reviewed for four years, despite the business expanding. And more importantly, the Insured had not taken up business interruption cover.

Following the burglary, it took two weeks for the owner to sort and organise the necessary paperwork and provide an accurate list of damaged content and stock. And then it was revealed they were \$25,000 under insured.



The combination of not having extended credit terms with their overseas suppliers, being under insured and having no income for weeks, coupled with the owner unable to purchase replacement stock until the Insurer paid the claim proved difficult.

The end result was the final payment was not made until three weeks following the burglary.

Once the stock was ordered, it took an additional two weeks for it to arrive and then three further days to price and fill the store.

For six weeks, the store did not produce income which meant the small business was over \$100,000 out of pocket, which would have been prevented if the business owner had taken the advice of the broker to review his sum insured and effect business interruption cover.

To settle or not to settle...

The advantage of a cash settlement is self-explanatory – cold hard cash in the hand. In the event of an insurance claim it is a possibility that either the client or the Insurer may offer or seek a cash settlement. There are variable reasons and considerations before doing so.

In the aftermath of a large catastrophe such as a cyclone there may be benefits in the Insurers offering cash settlements. It provides the policy holder with a quick settlement, and instant cash flow to repair and reinstate their home to be occupied.

The Insurer can then work through a large backlog of claims that removes ongoing attention with arranging repairs and maintenance. The property would be assessed and in most cases a quantity survey report to justify figures in response of the terms of cover and sums insured.

The onus on the policy holder is then to

sign a discharge which will relieve the Insurer of any further involvement with the claim and responsibility is transferred to the policyholder to organise quotes and repairs for the property.

But this may not be so easy. Consider a large loss in which tradespeople are scarce, backlogged, and you then have to budget accordingly. You've just inherited the role of project manager and if any problems present themselves after repairs are completed they are yours to manage as recourse.

There are further issues if the policyholder accepts a cash settlement and doesn't complete the repairs accordingly. The Insurer may not offer renewal of the policy or offer a reduced basis of cover which may cause issues in the future. A policy that has been formally declined on renewal will need to be disclosed to a new Insurer and details provided. Failure to do so may result in



claims being denied.

It is an issue that may suit some circumstances, such as vehicle hail damage where the repairers are booked out for months and you can still use the vehicle for work preventing a loss of income. You can then arrange repairs later at a more suitable time when convenient.

If the situation arises, you should consult us, prior to accepting the offer. You should also consult your accountant if the claim refers to commercial assets.

Drones are flying high



The next decade will see a significant increase in the commercial use of Unmanned Aerial Vehicles (UAV), more commonly known as drones, with the insurance industry expected to be an early and keen adopter of this new technology.

In the USA, insurance giant American International Group announced last year that it had won approval from the US Federal Aviation Administration to fly drones.

In Australia, IAG used drones to help assess damage from Christmas bushfires which devastated the Great Ocean Road area in Victoria. The Insurer, using a property repair partner, was able to inspect damaged properties from a safe location before physical access to the area was granted by authorities. This allowed IAG and its customers to review damage without the risk of physically accessing the site.

Up until this point in time, after a catastrophe hits, such as cyclone, flood or bushfire, teams of adjusters (someone who investigates insurance claims to determine the extent of the insuring company's liability) on site to evaluate property damage. In the future an insured may never meet the property adjuster handling his or her claim. Instead, a

drone will be sent to evaluate damage within hours of it occurring, which could see claims settled at breakneck speed with fewer mishaps as adjusters remain safely ensconced in their offices or cars.

There is a possibility that the use of drones might help root out fraudulent behaviour, for instance by monitoring whether someone was hurt badly enough in a car accident to merit a compensation claim, or whether a farmer really suffered enough crop damage in a flood or storm, to warrant an Insurance payout.

In the States, the insurance industry's interest in drones has sparked privacy concerns over how insurance companies will use the technology to monitor their customers. Whilst 83 per cent of Americans support the use of drones to help search and rescue missions, only 21 per cent say it's okay to use drones to monitor whether or not you are speeding, according to a 2013 survey by Monmouth University in New Jersey.

Whilst drones could be used in a variety of claims and underwriting functions, there are potential privacy and legal issues that haven't been fully sorted out yet. Will these issues stifle the growth of this technology? Highly unlikely!

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

Premium Funding

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

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.

Steel Pacific Insurance Brokers
ABN 47 075 780 353 AFSL No. 230634

Head Office

21 Aitkin Street
(PO Box 1358) Aitkenvale QLD 4814

Freecall: 1800 629 701

Phone: 07 4421 6600

Fax: 07 4421 6699

Email: townsville@steelpacific.com.au

Web: www.steelpacific.com.au

Other office locations

Maroochydore: 07 5352 8700

Freecall: 1800 072 114

Mackay: 07 4862 7100

Proserpine: 07 4421 6620

Ingham: 07 4776 8800

Wisewords

“Success is most often achieved by those who don't know that failure is inevitable.”
— Coco Chanel

“Don't be afraid to give up the good to go for the great.”
- John D. Rockefeller

“I have not failed. I've just found 10,000 ways that won't work.”
- Thomas A. Edison