



# Brokerwise™

Brought to you by: **Your Insurance Broker**

## 'Tis the season to be ready

### STORM SEASON PREPARATIONS

Ahh, Christmas in Queensland. Warm nights, cicadas chirping, family and friends...laid back and chilling out. Wonderful... but it's also the disaster season, a time of storm, bushfire, flood and cyclones, though thankfully, not always together in the same season. So far.

After several very dry months, weather forecasters are predicting heavy rain in late December and early January. They also warn of the possibility of 4 summer cyclones for Queensland, with one of them likely to hit the southeast.

Be prepared for violent storms, flash flooding, strong winds and hail with a two part plan for best defence –

**risk reduction** to minimise damage, and **adequate insurance** to help you get back up again quickly if the worst happens.

#### Risk Reduction

Devise an emergency plan and evacuation plan; pack an emergency kit in case you have to leave your home quickly. Tune into warning services - radio or weather report phone apps. Check on your neighbors, especially the elderly. Clean out your gutters and remove anything with the potential to become flying debris. And don't forget your pets! Have a plan for them too.

#### Insurance – Is yours adequate?

Check your policy. Do you have sufficient cover with full replacement value in case of loss? Are you at risk of flood in your

location? If so, what does your policy say? Flood cover is not a standard extension on some house and business policies.

Contact your broker without delay if you need an insurance cover review. ■



## Skyrocketing refrigerant gas prices

### MACHINERY INSURANCE AFFECTED

The skyrocketing price of refrigerant gas can have serious impact if you have refrigeration or air-conditioning in your premises. For those affected, your insurance policy sum insured needs to be reviewed. Especially if covered under a package-type insurance policy.

Many package-type policies have a Machinery section covering refrigeration and/or air-conditioning equipment. Generally, pre 2012, one would expect sums insured of \$5,000 - \$20,000. Some policies may also contain a sublimit clause with a maximum value to be

paid in respect of replacement gas.

Alarmingly, insurers have reported the cost of replacing the refrigerant gas in these systems has jumped from \$24 a kilo to over \$200 per kilo over the past three years.

As an example, the gas in a 15 Kilowatt air-conditioning system found in a small business or a large home containing up to 220 kilos of refrigerant gas would have cost under \$5,500 prior to 1 July 2012 but today the cost could be as high as \$43,000.

Or the system installed in a 13-storey building that required replacement of 550 kilos of gas. The building owners

received a \$105,000 repair bill of which \$95,000 was for the replacement gas. A few years ago, the gas cost would have been around \$13,500.

Loss of gas can occur simply from vibration in the pipes or the failure of a bracket. It is important that you have an inspection and maintenance program in place. Gas loss may be more costly to replace than any equipment repair.

Be aware also that not all refrigeration gas losses are covered under machinery insurance. We recommend you look into your situation carefully and discuss cover, if appropriate, with your insurance adviser ■

## Flood mitigation

### WHAT HAVE WE LEARNED?

The Queensland floods of 2011 took lives and damaged property on a large scale. It was a time when insurance to protect against flood was generally not available because of standard exclusions in the majority of policy wordings.

Fast forward to the closing weeks of 2013. What has changed since the dramatic start to 2011 that sent a vast majority of Queensland into a state of emergency?

Responding to the echoes of public sentiment, flood cover is now widely available from the majority of insurers for both domestic and commercial properties. Some locations come at a premium price whilst some in the traditional 'low spots' can still find it difficult to obtain cover at all.

The insurers have been proactive in offering solutions.

Flood mapping has become an integral part of the premium calculation process and this is now detailed to the street address rather than a generalised postcode. This is a fairer response and welcomed by the hill dwellers in a mixed geographical location such as Bulimba, which shares the banks of the Brisbane River.

The regional response has also progressed, especially in areas such as Rockhampton, Emerald, Charleville and Roma which have had more than their share of flood damage.

This brings us to the point of flood mitigation. Who is responsible, and who pays the bill that any large infrastructure project attracts?

Despite the community pressure, insurers maintain that these costs are not their responsibility even if it means possible reductions in what is deemed to be their catastrophe claims.

Instead, the insurers have responded to reduce the premiums and rate accordingly the factors that have played a part in the reduction of potential losses. These flood mitigation measures are improving community safety and welfare as insurers look to what covers can be available and at what affordable price.

The playing field is changing and there has never been a better time to discuss opportunities of flood insurance cover with your broker. Open discussion is always important and your broker may be able to share industry knowledge and information that continues to be reviewed and updated. ■

## Fraud

### AN INSIDE JOB

When people have access to other people's money there is an inherent fraud risk and sooner or later, history says that someone will take advantage of an opportunity.

There has been a fundamental shift

in recent times; where previously fraud was generally committed by an individual and often for small amounts, dishonest employees are increasingly colluding with external accomplices to defraud their employers.

The schemes these fraudsters concoct are becoming more sophisticated and difficult to identify. Research shows that it's taking more than two years to identify many instances of criminal activity. There has also been an 82% increase in fraud events that have netted criminals in excess of \$1M.

Not even large insurance underwriters, with all of their formal compliance programs, are immune. A case in recent headlines told of a senior claims officer who set up a law firm as a front

and through it invoiced her employer company for \$17M of bogus legal work. It was reported that "discrepancies" had been identified when the person was on leave. A devastated company spokesperson said, "This person worked for us for several years...she was a trusted employee...I could not believe the betrayal by a loyal employee". Luckily, the employer firm had insurance protection and the money was recovered.

A recent survey identified that less than 5% of businesses have insurance against criminal activity. However, the reality is that very few businesses can confidently say they are immune to internal fraud.

Smaller businesses are considered more vulnerable, mainly due to the lack of

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resources to adequately and regularly check all operations and the common practice of using one or two people to be responsible for all accounting issues.

Often, when a minor fraud or theft goes unnoticed, the perpetrator feels more confident and the incidents and amounts involved start to escalate.

Business operators can take steps to minimise the chance of these incidents:

- Ensure there is definite segregation of duties so that no one employee handles all points of a transaction.
- Ensure that staff use leave entitlements. Criminal activities are often first discovered when the perpetrator is on leave.
- Investigate anything and everything that appears unusual or suspicious.

- Screen all new employees for prior history before hiring them.

Estimates suggest that fraud accounts for 40% of all identified crime...or to put it in real terms, \$8.5bn per annum. How much of your money is in that pot?

Insurance against crime. Yes, there's a policy for that. Contact your insurance broker account manager for information. ■

# Accident and incident reporting

## IMPROVE WORKPLACE SAFETY

Incident reporting is a vital component for creating safer workplaces. An incident is any event that results in plant and equipment damage, injury or a "near miss". A business can only learn and change when there is a culture of full reporting. Prevention can only take place when there is sufficient knowledge to introduce change to the circumstances that created the incident. The importance of "near misses" cannot be emphasised enough. It is this behaviour or the circumstances that are the precursor of an event causing loss.

When the culture of an organisation is one that applauds reporting using positive reinforcement, the rate of reporting increases. The people who are reporting the incidents are certain that they will not be blamed or punished because of their errors of judgement or mistakes. When this type of environment prevails, employees understand that they can benefit much more by learning from the mistake that have been made rather than being subjected to blame.

The information that is recorded should accurately reflect what occurred in relation to the accident or incident providing as much detail as possible

including but not limited to:

- Details of any injured party
- The details of the person(s) documenting the Incident Report
- A description of what occurred, including date, time, weather conditions
- A description of the injuries sustained
- A description of first aid provided (by suitably qualified persons)
- Details of emergency services contacted
- Photographs of where the incident occurred
- Photographs of the injury (with permission)
- Witness statements
- Retention of equipment associated with the incident
- A review of causation and remedial action if required
- Any other items pertinent to the incident

As a record of events this information can be called upon by legislation authorities or if litigation is commenced.

A careful analysis of the information gathered can:



- Highlight strengths and weaknesses in relation to a site area or activity.
- Provide details of areas or activities that result in frequent incidents and those that have resulted in severe injury.
- Highlight trends which can be used to target resources in risk mitigation efforts, for example, updating procedures and policies, re-training, removal of the hazard, restricting access to certain areas, providing personal protective clothing, etc.

For businesses that are intent on creating a safer workplace, there is some serious work to be done in creating an environment that encourages people to report incidents. ■

# Changes to Workers' Compensation Scheme

On 15 October 2013 the Queensland Government introduced to Parliament a bill to amend the Workers' Compensation & Rehabilitation Act 2003. The bill was passed with only minor amendments on 17 October 2013.

In May of 2013 the finance and administration committee handed down a report after an enquiry into the operation of the Queensland workers' compensation scheme. The committee did not recommend any significant changes. Notwithstanding this advice, the amendments contain some quite significant changes to the current scheme, with the most significant being the introduction of a threshold of a 5% permanent impairment for an injured worker to be entitled to sue their employer for common law damages. That is, the worker must be assessed as having more than a 5% permanent impairment before they are entitled to bring a common law claim.

This threshold will result in a significant reduction in the number of injured workers that will be entitled to bring common law claims. It is anticipated that it will result in a reduction of claims of in the vicinity of 50%.

This comes on the back of a previous amendment to the definition of "worker" under the Workers' Compensation & Rehabilitation Act 2003, once again

a change not recommended by the committee. The amendments now define a worker as a person who:

- works under a contract; and
- in relation to the work, is an employee for the purpose of assessment for PAYG withholding under the Taxation Administration Act 1953 (Cwlth), Schedule 1, Part 25.

The effect of this is that some contractors and sole traders that were once regarded as "workers" will now be excluded from statutory cover.

The primary purpose of the amendments was with a view to reducing employer premiums, already the second lowest in the country. Victoria is the only State to have lower premiums, but they have significantly higher excesses payable by employers for claims. The Victorian scheme also made a very significant loss last year, in contrast to Queensland WorkCover boasting a profit of approximately \$500 million.

A likely result of the threshold is that some injured workers will seek to recover all their damages against parties other than their employer, for example host employers and principal contractors on building sites. This is likely to result in a rise in the cost of public liability insurance. ■

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 ON QUALITY

**The bitterness of poor quality remains long after low pricing is forgotten**

— Leon M. Cautillo

**"Good, fast, cheap: pick any two."**

— Erwind Frand

**"Fast is fine, but accuracy is everything."**

— Wyatt Earp

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