



ADROIT INSURANCE MARKET UPDATE

FY 2022 - 2023 - QUARTER 2


Insurance & Risk

ADROIT INSURANCE MARKET UPDATE

The Insurance Market, like all industries, is influenced by many factors from economics to the environment. As a business owner, it is important to stay ahead of the curve and understand how and why these factors affect your policies and premiums.

The Adroit Insurance Market Update is designed to give you insight into some of the big issues affecting the insurance industry right now. This commentary is not comprehensive or specific advice to you. Therefore, it is important for you to read and understand your own policies.

If you wish to discuss or have any questions about the issues raised in this update, or other types of insurance covers that may be available, please contact your Risk Adviser who is ready to help.

Let's take a look.

Any advice given is general advice and does not consider personal needs or financial objectives. Before you make any decision to acquire any product please contact us for a Product Disclosure Statement or Policy Wording. General insurance services are provided by Adroit Insurance & Risk Pty Ltd ABN 75 078972 700 AFSL 244 348.



GLOBAL AND LOCAL ECONOMY INFLUENCES

In our most recent Market Update we discussed the impact of external influences on our local economy. Global and local economic conditions continue to influence not only insurance policy premiums, but also the accessibility of insurance cover.

Troubled industry sectors are expected to continue to experience limited coverage and rate/premium pressures due to capacity of Insurers and the severity of claims. The recent catastrophic weather conditions such as flooding across Queensland, Northern New South Wales and now Victoria also cause supply chain issues and global inflationary pressures are increasing costs relating to rebuilding properties and settling claims.

FLOODS IMPACT PROPERTY INSURANCE AVAILABILITY AND PREMIUMS

We have recently been discussing the impacts on insurance premiums due to the flooding across the eastern states that have left thousands of homes evacuated or without power.

In Victoria, major flood warnings were in place across a number of regions, while commercial shipping operations were suspended at the Port Of Devonport due to the flooding of the Mersey River, also leading to the cancellation of Spirit of Tasmania crossings. This causes a flow on effect on insurances with shipping operation suspensions including marine and transportation which could affect our already limited supply in some areas.

Earlier this month, Zurich-based data firm Perils upped its insured loss estimate for the floods to \$6.3 billion for the Queensland and Northern New South Wales regions. That calculation, which is based on slightly different dates, is the largest insured catastrophe loss event ever experienced in Australia.

CYBER

As Australia reels from a cyber-attack that has leaked the personal details of millions, a new report reveals why the nation is increasingly exposed.

The Federal Minister for Cyber Security Clare O'Neil has announced that Optus has suffered a significant cyber security breach, with the personal data of 9.8 million Australians being breached. So many Australians are now anxious about how their data might be used by criminals for identity theft or financial fraud. This is another example that no matter how sophisticated your cyber security might be, no business is immune to a cyber-attack and the financial and reputational damage caused by a cyber breach can be crippling.

In the last month we have also had Medibank added to major ASX listed companies experiencing cyber-attack.

At Adroit Insurance & Risk we have access to the very best cyber insurance to protect your business and experts who are accessible 24/7 to guide you through the process when a cyber-attack occurs.

**UNDER-
INSURANCE – THE
IMPACT IT CAN
HAVE ON YOU
AND YOUR
BUSINESS**

We have outlined the under-insurance risk in past Market Updates, however due to the increased global and local supply challenges along with material delays and shortages, we wanted to bring this to your attention again.

Certain Cover Sections contain under-insurance or average clauses that may limit the amount that your Insurer will pay when you have a claim. This will only happen if you understate a sum insured or declared value. The Insurance Council of Australia in the past has reported that approximately 70% of under-insured small businesses don't make it through an event such as fire, storm or earthquake.

Example: The insurable value of your property, insured in accordance with the Basis of Settlement at the commencement of the Period of Insurance upon which the sum insured is based, is declared as \$1,000,000.

Property Damage amounting to \$400,000 occurs from an event covered by the Policy.

The insurable value of such property at the commencement of the period of insurance calculated as stated, is actually \$1,500,000.

Under-insurance status applies to the assessment because the declared value of the Property is less than 80% of the insurable value calculated in accordance with the Basis of Settlement applicable.

$$\begin{array}{rcl} \text{Claim payment:} & \frac{\$1,000,000 \times \$400,000}{\$1,500,000 \times 80\%} & = \$333,333 \end{array}$$

In this instance, due to the property being under-insured, the insurer would only pay \$333,333 for the cost of reinstating the property, subject to the application of any excess(es).

HOW CAN WE REDUCE THE RISK OF UNDER- INSURANCE?

As your trusted insurance and risk adviser, Adroit can help ensure that you are not under-insured should the worst happen and avoid reduced claim eligibility as described in the example above.

As buildings costs are increasing significantly and frequently it is very easy for a building sum insured to be outdated within a short time frame.

Through our access to the CORELOGIC valuation platform, and our partnership with MCG Quantity Surveyors, we can provide you with the most up to date replacement cost information. It is part of what we do, we are here to protect your interests and assets. Please contact your risk adviser to discuss the options for a valuation of your property.

INSURANCE PREMIUM FUNDING

As businesses are faced with increasing financial obligations including insurance premium inflation, premium funders offer a flexible and convenient alternative to paying insurance premium costs upfront. Spreading the payments over time can help you manage your business cash flow.

Benefits of Premium Funding include:

- Flexible monthly instalments (10, 11 or 12 instalments)
- Multiple payment methods, including direct debit and credit card
- The ability to pay multiple insurance policies with one easy monthly payment
- Interest repayments may be tax deductible
- Free up your cash flow to use in other aspects your business
- Flexible, non-bank lender with a long history in premium funding

