



# Insurance Explained - Whitsundays

# Acknowledgment of Country

We pay our respects to the Aboriginal and Torres Strait Islander ancestors of this land, their spirits and their legacy. The foundations laid by these ancestors - our First Nations people - give strength, inspiration and courage to current and future generations towards creating a better Queensland.



# Agenda

**Chamber introduction**

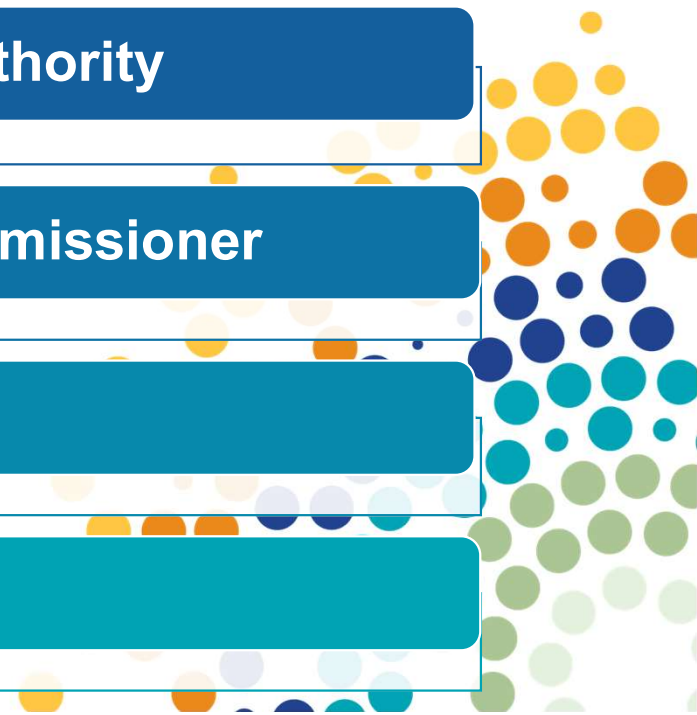
**Alexandra Hordern, Insurance Council of Australia**

**Chris Liamos, Australian Financial Complaints Authority**

**Peter Maddock, Office of the Small Business Commissioner**

**Q&A**

**DESBT update**



# Photo Consent

Photos may be taken in this session, please let us know if you do not wish to be photographed





# Insurance Explained

Insurance Council of Australia



## **Acknowledgement of Country**

We acknowledge the Traditional Owners of Country throughout Australia and recognise their continuing connection to land, waters and culture.

We pay our respects to their Elders past and present.



1. Insurance 101
2. The General Insurance Market – current state
3. Key insurance products for businesses
4. Property Insurance
5. Business Interruption (BI) insurance
6. Public Liability insurance
7. Professional Indemnity insurance
8. The Cyclone Reinsurance Pool
9. Questions

## How does insurance work?

### Financial Protection



**General insurance offers financial protection against specific risks.**

Personal lines:

- Home and contents insurance
- Motor insurance
- Travel insurance
- Pet insurance

Professional and Commercial Lines:

- Professional indemnity insurance
- Public Liability insurance
- Industrial special risk insurance

### Annual Contract



**An insurance policy is an annual contract.**

The core components of an insurance policy are:

- The policy document (or Product Disclosure Statement)
- The premium
- The excess/deductible

### Premiums are Pooled



When you take out an insurance policy, you pay a monthly or annual premium.

The insurance premiums paid by customers are 'pooled' together, effectively distributing the risk across thousands of customers.

This pool of money is used to pay people or businesses who successfully make an insurance claim covered by their policy.

### Risk is Diversified



Insurers manage their risk by making sure they don't have too much of one type of risk.

But sometimes in unavoidable events, like widespread extreme weather, multiple claims of the same type can happen at once.

In such instances, insurers may use reinsurance – which is insurance for insurers – giving them the financial protection to ensure they can cover claims during such events.



# Current state of the General Insurance market: Significant hardening of the global General Insurance market in the last four years

Increased reinsurance costs



Larger and more frequent natural peril events



Increasing claims costs & inflation



(incl. social inflation)

Reduced profitability across multiple portfolio areas –



particularly home, property and public liability

Reliance on overseas insurers to place more difficult risks



Reduced capacity, increase in premiums



# What is influencing the cost of premiums?

Insurance risks and costs are increasing

## Rising risk

- Worsening extreme weather
- Growing population in high-risk areas

> \$17B paid in insurance catastrophe claims since Black Summer Bushfire.

## Unsustainable loss ratios

Insurers have experienced unsustainable loss ratios (unprofitability).

- Public Liability loss ratios over 120%
- So, for every \$100 collected in premium \$120 paid in claims
- In 2023 public liability insurance remained unprofitable for insurers



## Claims costs / claims inflation

- Increasing claims costs and inflation are also driving increasing premiums
- Inflation in the building industry is significantly higher than inflation across the economy generally – making building repairs substantially more expensive.
- The average cost of public liability insurance claims have increased 5.5% pa since 2015, driven by
  - Social inflation
  - Legal and medical costs inflation
  - Psychological claims

## = Reinsurance up

- Reinsurance costs have risen by up to 20 to 30 per cent, due to global economic conditions and the rising cost of worsening extreme weather events.



**Worsening extreme weather**



**Growing population in harm's way**



**Rising claims and reinsurance costs**

## Key insurance products for businesses

- Property insurance
- Business Interruption insurance
- Public Liability insurance
- Professional Indemnity insurance



## Business interruption insurance and property damage insurance

Two distinct types of coverage that serve different purposes:

**Property Damage Insurance:** This type of insurance covers the physical damage to the business. It can help pay for repairs or replacements of physical assets like buildings, equipment, and inventory that get damaged due to events like fire, theft, or natural disasters.

**Business Interruption Insurance:** Business interruption insurance covers the revenue that would have been earned if the business were operating as usual. It is designed to put a business in the same financial position that it would have been in if no loss had occurred. This type of insurance may cover the loss of income that a business suffers after a disaster. It may also cover operating expenses, a move to a temporary location, payroll, taxes, and loan payments.

In essence, while property insurance covers the physical assets of a business, business interruption insurance covers the financial impact of a disruption to a business's normal operations.

## Business interruption insurance

Business interruption insurance is a type of coverage that can help businesses recover financially when they are forced to cease or limit their operations due to disaster events such as fire, flood, or storms.

**Coverage:** Business interruption insurance usually covers business losses caused directly or indirectly by accidental damage due to a number of insured events.

**Indirect Impact:** You may be entitled to a business interruption benefit payment even if your business is only indirectly impacted. For example, you may be able to claim if access to your business is prevented, or important services are cut-off due to a natural disaster, and this impacts your business profitability or increases your costs of running the business.

**Indemnity Period:** When considering this insurance, you may come across the term 'indemnity period'. This is the maximum period that you can claim for, subject to being able to prove the loss and other terms and exclusions of the policy.

Each business interruption insurance policy is different, so it's important to understand the specifics of your policy. If you're unsure, it may be beneficial to seek advice from an insurance broker

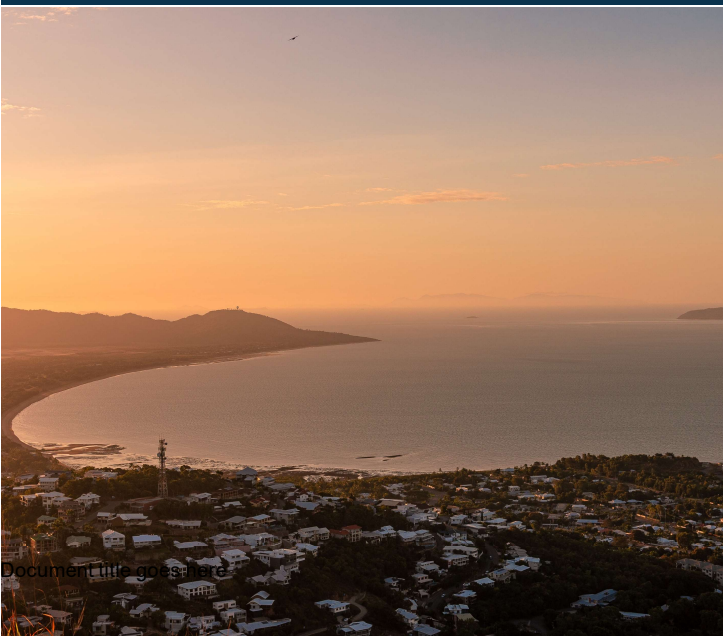
# Public Liability Insurance

- Public liability insurance protects the policy holder (the insured) for any legal liability to a third arising from negligence.
- Public liability insurance claims often involve a claim by a third party against the policyholder for personal injury or for property damage caused by the policy holder.
- Public liability insurance will provide coverage for the cost of the claim and any legal defence costs.

# Professional Indemnity Insurance

- Professional indemnity insurance provides financial protection to individuals, businesses and their employees who provide professional services for a fee (eg. lawyers, accountants, architects, engineers).
- Professional indemnity insurance provides professionals cover for their legal liability to their clients or other third parties arising from any act, error or omission arising in the performance of their professional activities or service.
- PI insurance provides cover for legal costs, settlements and court orders/judgments associated with claims against the insured business or individual.

# Northern Australia Cyclone Reinsurance Pool



Aims to improve access and affordability but investment doesn't reduce risk

The Cyclone Reinsurance Pool is an arrangement between insurers and the ARPC, designed to allow insurers to transfer their risk for cyclones and cyclone-related damage.

The pool covers household, strata, and small business property insurance policies.

All insurers required to join the reinsurance pool have done so in accordance with legislative requirements

## What is covered

- The pool covers household, strata, and small business property insurance policies.
- The pool does not address non-cyclone risks, or non-property risks.

## Impact on premiums

- The cyclone component of reinsurance makes up a relatively small part of the overall premium.
- May have minimal impact on the overall cost of premiums, although it may have the effect of bringing capacity back into parts of the property market.





# Questions?

[insurancecouncil.com.au](http://insurancecouncil.com.au)



# Small business insurance disputes

Chris Liamos, Senior Ombudsman – Insurance





# Acknowledgement of Country

‘Ngalimba’

Edwin Lee Mulligan



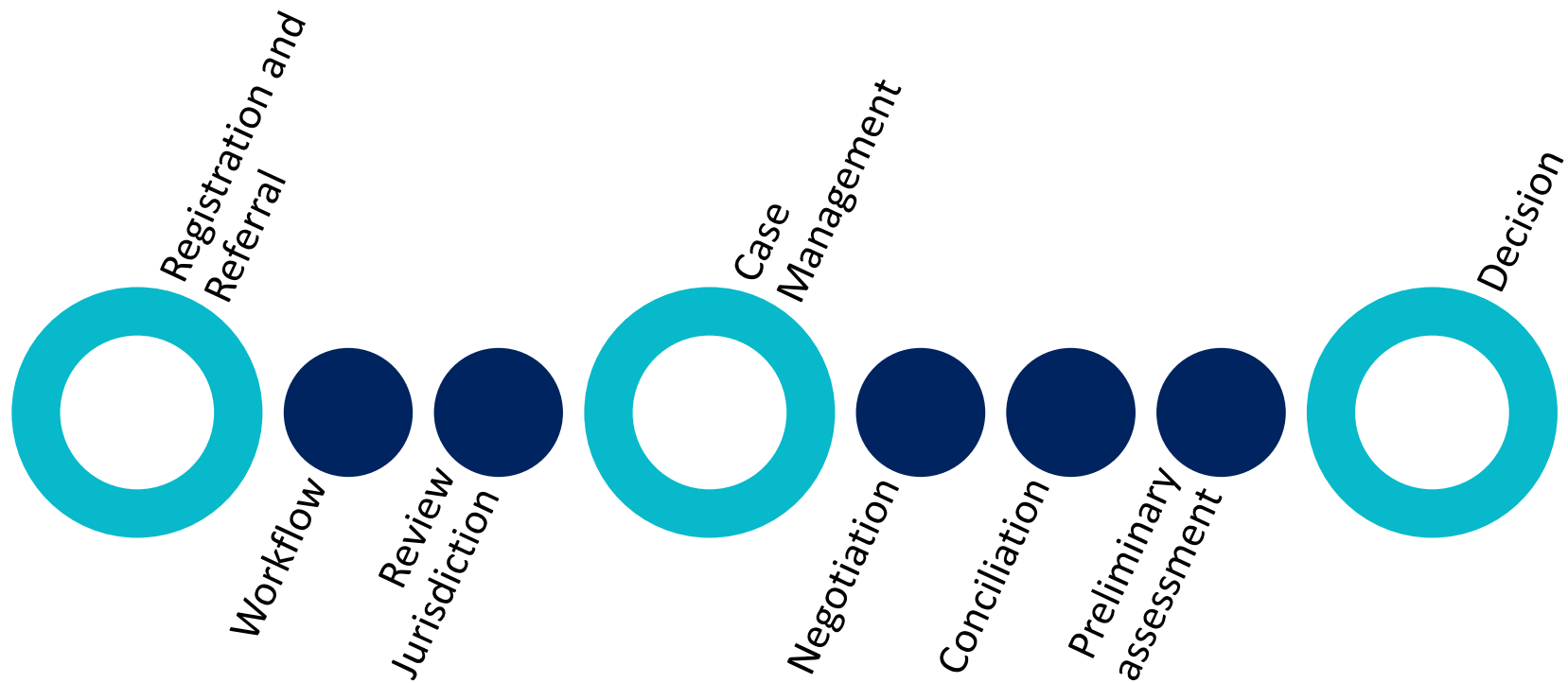
# AFCA's role

## Responsibilities

- > resolving complaints – this includes deciding disputes based on what's fair in all the circumstances
- > identifying systemic issues and working with financial firms to resolve them
- > supporting regulators by reporting certain matters to them
- > promoting awareness of AFCA – including discussion of approach



# The complaint resolution process



# What type of SB insurance disputes can we with?

- > We can deal with most type of policies.
- > The types of insurance cover we cannot deal with include:
  - Legal liability
  - Professional Indemnity
- > For complaints against brokers, our jurisdiction is broader
  - can include legal liability and professional indemnity
- > We have jurisdictional limit and caps
  - It is on a per claim basis (e.g. if a claim involves property and business interruption, treated as separate claims normally) - \$1,263,000 limit with a \$631,500 cap for insurance complaints
  - Broker complaints have a limited cap of \$316,000 per claim – these may not be able to be separated based on the cover

# What type of insurance issues arise?

- > Claim denials
  - expert reports
  - identifying the proximate cause
- > Claim amounts
  - Scope of works
  - Whether the cost of repairs are certain and can be done by available trades
  - Fair to include a contingency
- > No cover for business interruption or insufficient cover
  - if there is a broker involved, may be a question as to why this was not recommended
  - look at how policy was arranged

# What type of insurance issues may arise?

- > Calculating business interruption entitlements
  - What previous history does the policy look at? (last 3 months? 12 months?)
  - What type of expenses are included or excluded from the calculations?
  - Likely need financial records (tax returns, profit and loss statements, etc)
- > Underinsurance
  - can include co-insurance or average provisions
- > Claims handling
  - consider awards for non-financial loss



# Tips

- Published approach papers and fact sheets which can be found here:
  - <https://www.afca.org.au/about-afca/publications>
  - Useful approaches are: Proximate cause, insurance broker disputes, section 54, non-disclosure and misrepresentation.
- Making submissions to AFCA
  - Include all relevant facts
  - Set out all the outcomes being sought and why – provide information in support where possible
  - Raise all relevant issues
- Navigating the process
  - Communication – if unable to comply with requests or timeframes, tell us
  - Consider conciliation – can explore options that are beyond the dispute
  - Avoid repetition

# More information

## AFCA contact details

- > Website: [www.afca.org.au](http://www.afca.org.au)
- > Email: [info@afca.org.au](mailto:info@afca.org.au)
- > Telephone: 1800 931 678
- > Address: GPO Box 3, Melbourne VIC 3001

## AFCA Membership contacts

- > Telephone: 1300 56 55 62
- > Email: [membership@afca.org.au](mailto:membership@afca.org.au)

[www.afca.org.au](http://www.afca.org.au)

## Follow us on social media



[AFCA\\_org\\_au](https://twitter.com/AFCA_org_au)



[Australian Financial Complaints Authority](https://www.linkedin.com/company/afca)



[@AustralianFinancialComplaintsAuthority](https://www.facebook.com/AustralianFinancialComplaintsAuthority)



Queensland  
Small Business  
Commissioner

# Insurance Explained Small Business Disaster Preparedness

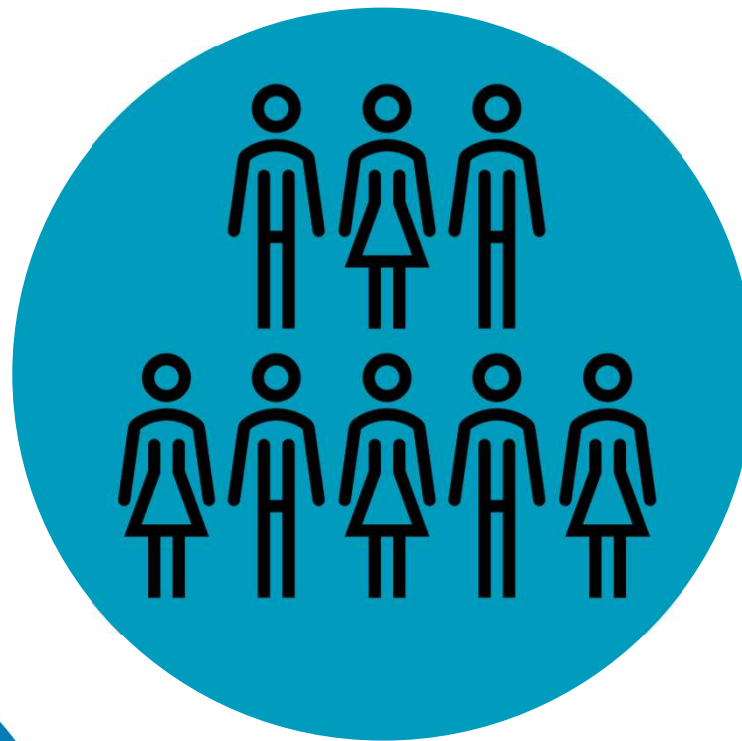
April 2024



Queensland  
Government


# About Us

Queensland Small Business Commissioner's Office





# Key resource


- [Small Business Disaster Hub:](#)
    - **Plan** - [BCP template](#) and printable [Small business disaster checklist](#)
    - **Prepare** - [Preparing an emergency kit](#) (printable)
    - **Respond** - [clean-up tips](#) and [Respond to natural disasters page](#) on Business Queensland
    - **Communicate** - [suggested messaging](#)
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[Download for Apple iOS](#)

[Download for Android](#)

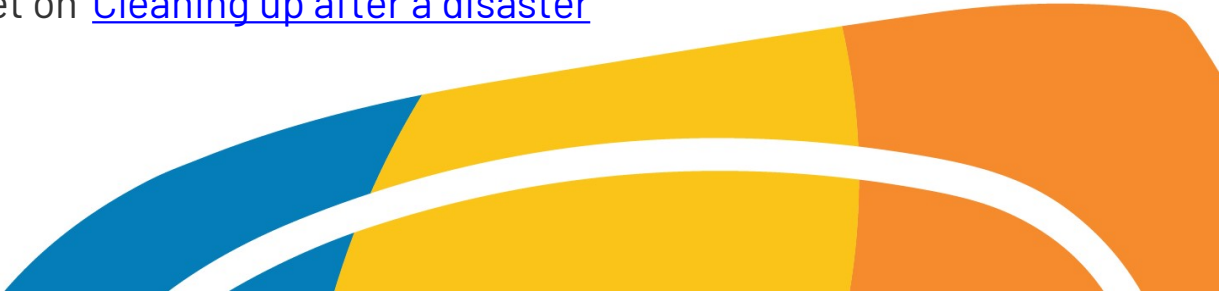


# Prepare – practical tips

- **Follow emergency services advice to shelter or evacuate**
  - Create an [event log](#) to record information, decisions, actions, and 'before and after' damage photos for insurance purposes
  - If you have CCTV leave it running to capture video of potential damage for insurance purposes
  - Learn how to download CCTV footage now and protect your CCTV equipment from water damage.
  - Start taking photos of the current condition of the premises, take photos of stock on hand and equipment before the disaster hits.
  - Your phone is crucial, work out how to keep it charged if power is lost
- 




## Prepare – practical tips

- Use sandbags and plastic sheeting combined to protect your property
  - Know the last flood height, try to move expensive equipment above that height now if you can't relocate it entirely
  - Moving electrical equipment off the floor or away from walls (e.g. onto pallets or even desks off the floor can save the equipment)
  - Consider what customer property you have on site. Check if it is insured and as secure as you can make it. Can you return it or have it collected?
  - Share links such as [local council's disaster dashboard](#) on socials.
  - Share once you reopen rather than that you'll be closed for a specific period. Secure your premises.
  - Before starting clean-up: read the Insurance Council of Australia factsheet on ['Cleaning up after a disaster'](#)
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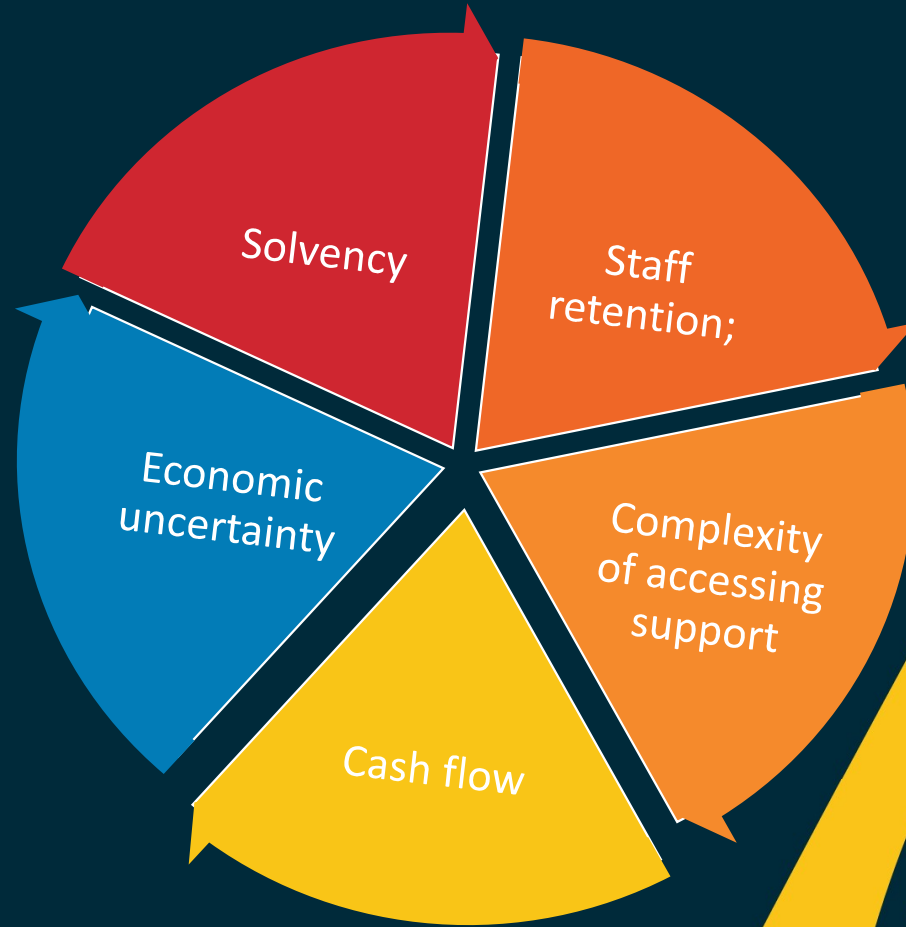
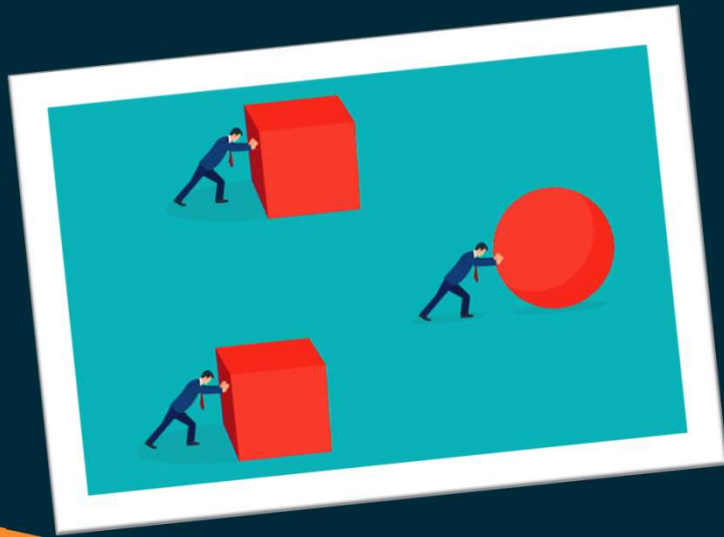


## Prepare – practical tips

- Store important contacts, invoices and inventory info in a safe place
  - If you haven't kept invoices – how else do you prove ownership if you need to make a claim?
  - Applications for any support, post disaster, often require:
    - most recent Local Government rates notice for the property impacted by the disaster event
    - if you lease the property, a copy of your current lease agreement
    - Copies of tax invoices AND evidence that these invoices have been paid (e.g. bank statements, electronic bank transfer confirmations or official supplier receipts).
    - full details and a copy of your insurance policy
    - a copy of your latest stocktake and sales since then
- 



# Impacts to watch out for later





# Consider: Staff retention

Contact your staff and check on them, let them know how to reach you

Fair Work Australia has published a guide about [employee entitlements during natural disasters or emergencies](#) including standing down staff without pay. Before standing down an employee under the Fair Work Act, employers should consider all other options available. These can include:

- inviting employees to take a period of accrued paid leave
- requiring employees to take annual leave if their award/agreement allows it
- if there are multiple worksites and not all sites are affected, consider voluntary work sharing arrangements
- flexible working arrangements, like working from home

The Fair Work Ombudsman has an info-line: 13 13 94.





# Consider: Insurance claims

Legal Aid Queensland publishes a fact sheet: [guide to getting your insurance claim paid](#) or you can access their [natural disaster legal help](#) on **1300 527 700** to understand your options.


The [Australian Financial Complaints Authority \(AFCA\)](#) aims to resolve disputes between small business and participating insurance companies. Check out their [factsheet on natural disasters and financial hardship](#).

Legal Aid Queensland's [fact sheet on commercial and retail leases](#) answers common questions





# Consider: Cash flow

- **The biggest impact post disaster if you're not directly damaged, we have seen is a lack of customers.**
  - What have customers stopped spending money on in the past:
    - Training
    - Business advice or consultants
    - Discretionary spend (some retail, massage)
  - If you are in these sectors, plan how will you earn money
  - Develop a plan to minimise costs and keep earning money to see it through
  - Consider perishable stock and incoming orders. What storage options do you have and what will happen if you lose power?
  - Consider pooling resources with neighbouring businesses and know how to contact them.
  - Tell your suppliers what you're doing and consider regular orders.
- 



# Property agents

**To help real estate professionals affected by severe events, the REIQ has put together a disaster toolkit which covers:**

- FAQs and fact sheets for sales agents and property managers
- Insurance issues
- Office of Fair Trading (OFT) information
- Residential Tenancies Authority (RTA) information
- Queensland Building and Construction Commission (QBCC) information
- And more.

**Download a copy of the [REIQ Disaster Toolkit](#).**



Phone **1300 312 344**

Website **<https://qsbc.qld.gov.au/>**

Socials **@qsbccommissioner**

Quick help **Small business resources**



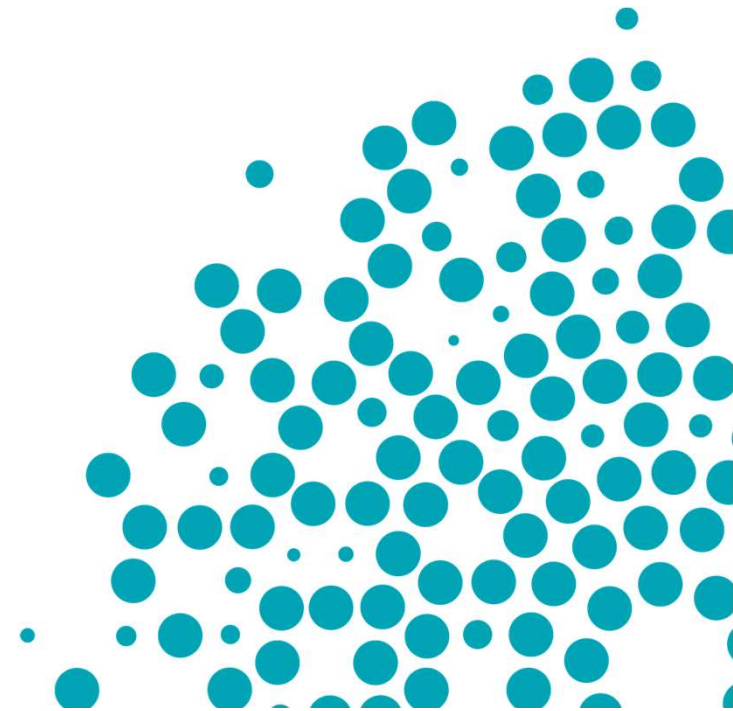
QSBC website



QSBC resources



# Questions



# Thankyou for attending

To find out more about our programs and services please visit [www.desbt.qld.gov.au](http://www.desbt.qld.gov.au)

To contact one of our staff please email [NQ.Business.Support@desbt.qld.gov.au](mailto:NQ.Business.Support@desbt.qld.gov.au)







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