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INSURANCE

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CLIENT NEWSLETTER

Floods and inflation – repercussions are set to persist

Rising prices: floods and other factors mean some insurance is increasingly expensive

Prices for everything from vegetables to fuel have risen during the past year for a variety of reasons, and all the economic indicators suggest rising costs will remain an issue for businesses for quite a while yet.

Flooding across large areas of Australia, covid-related international trade disruptions and the war in Ukraine have contributed to the uptick in inflation, while central banks have raised interest rates in an effort to slow rising prices.

Insurance has been no exception to that wider trend, with premiums rising in response to changing risk assessments and increased claim costs – particularly as shortages of building products and tradespeople delay property repairs and escalate expenses.

Commercial premiums have been gradually rising in recent years in what the industry refers to as a “hard market”. While there’s been a tapering in the size of some increases in lower-risk classes of insurance, local and global influences suggest insurance buyers are still facing challenges.

Reinsurance – which Australian insurance companies buy to “spread the cost” of major claims around the global market – is vital. We’re among the world’s biggest buyers of reinsurance.

The annual January reinsurance renewals this year have highlighted some of the pressures. The renewals are particularly

important in Europe and the US but are also a focus in Australia, with some local insurance underwriters renewing on a calendar basis while others at this time are looking for signals ahead of the larger mid-year negotiations.

Unfortunately, the vagaries of global capital markets, combined with Australia’s massive floods and the constant threat of other natural disasters like flood and bushfire, has caused reinsurers to approach Australian property with a higher degree of caution than normal.

Reinsurers face their own capital availability problems as economies slow. It is more expensive than previously, and as recent natural disasters around the world hit reinsurers’ bottom lines it is also becoming harder for local insurers to obtain full cover without paying more for it. That’s one of the major influences on local premiums.

The Insurance Council of Australia says the bill for storms and floods since January 2020 has topped \$12.3 billion. The total includes more than \$5.6 billion for the NSW and Queensland flooding last February and March, which has become Australia’s worst natural disaster for insurance losses.

Heavy rain and floods persisted for much of last year, fuelled by a third consecutive La Nina climate system, which is typically associated with wet weather over eastern Australia.

Models monitored by the Bureau of Meteorology suggest more benign climate drivers will prevail in coming months, but Australian insurers are still faced with those higher reinsurance rates and other cost pressures, and are taking a careful approach as policies are taken out or renewed.

Businesses in some locations, such as those that are flood-prone, or which have a heightened potential risk exposure for other reasons, will face more intense scrutiny from insurers and we will need to work with you to examine ways of reducing the potential for claims.

In other areas of insurance, market conditions have eased for liability and professional and financial lines, but as is the case with property, some risks remain difficult to obtain.

The impact of natural catastrophes and the resurgence of inflation are expected to remain top issues for insurers this year, and that impact will continue to drive premiums.

Getting advice from us on how to navigate the market and obtain the most suitable cover is more important than ever. It’s a tough world at present, but as your broker we’re here to help.

Need to make a claim? Good thing you have us!



Claim pain: when disaster strikes, brokers can make the recovery process so much simpler

Making an insurance claim can be an extremely stressful and daunting task when you're still recovering from an unexpected loss and trying to work out how to get things back together again.

There's not much time to lose. We have to act quickly to get your business back up and running again, which means we'll need to have all the details together to lodge your claim with your insurer as soon as possible.

Hopefully the day will never come, but accidental loss or damage more often than not strikes when you least expect it.

It could be burglars breaking into your factory, stealing not only some expensive equipment but also leaving a trail of damage that leaves you unable to resume operations.

Or it could be an extreme weather event that has left your goods so heavily soaked that they can't be salvaged.

So what can you do to have as smooth a claim process as possible?

We know there is no shortage of stories in the mainstream media about how a business owner or family has had their claim rejected.

Every time you see such a story of misery and heartbreak on

TV, you can reflect on just how good it is to have us. We're your insurance broker, and we have your back.

First things first. As soon as you need to make a claim, get in touch with us. Tell us what has happened, the nature of the loss and have your insurance documents ready.

If you're able to enter the premises, have your mobile phone or a camera with you.

Take as many pictures of the damage as you can. The pictures will help us to support your claim application with the insurer.

If your loss is caused by a crime, say a theft or burglary, contact the police as soon as you can. Keep the police record and send us a copy. The police report will become part of the document lodgement process.

Do remember to keep us notified of any other information you may have about the loss.

If you've had to call in emergency trades to replace the broken windows or secure the place with safety barriers, keep the invoices. You'll need to submit them to the insurer, too.

And please remember at all times that we work for you and advocate on your behalf so that you can focus on a recovery plan to get your business up and running again.

The fire threat remains



Constant threat: despite recent wet weather fire can still wreak havoc

Over the past year historic levels of flooding and devastating rainstorms across Australia have pushed the need for flood protection to the forefront of business owners' minds.

As insurance brokers we're all too aware of the enormous difficulties our clients are facing.

So while we're all still focused on the terrible floods that have impacted many parts of Australia, it's time to look at another type of threat that's every bit as traumatising – bushfire.

The "Black Summer" bushfires of 2019/20 should serve as a reminder of the need to be vigilant and protected against the fire threat.

Those bushfires continue to haunt communities across the country, with many still working to rebuild what they had lost.

While this summer's bushfire season is not projected to replicate the levels of 2019/20, the importance for businesses to be aware and prepared in the event of a devastating blaze remains essential.

The Australasian Fire and Emergency Service Authorities Council's (AFAC) seasonal outlook lays out increased fire

potential right across the country, with inland NSW and Queensland, central Australia and parts of WA highlighted as having above-normal bushfire risks.

The projections expect reduced fire risk for areas along the east coast – where rain and flooding have done all the damage – and average levels of risk for most of the rest of the country.

But that shouldn't be a reason for complacency. AFAC says that fuel loads for high-fire risk areas stem from increased vegetation from wet weather throughout last year.

Similarly, catastrophic fires can occur in normal bushfire conditions and grow destructive quickly if mitigation actions are not taken.

The responsibility for putting out fires is left to the heroic efforts from volunteer firefighters and other emergency services, but there is nevertheless a critical role you can play – by ensuring that your business is adequately protected. Having several plans of action that are adjustable to varied situations is key to this.

Every bushfire is different and depending on how quickly a fire emerges, it can require more urgent measures to ensure that your business will be safe.

It's also essential to identify potential fire risks surrounding your business.

Much of the business of lowering risks is pretty simple – like ensuring a building's gutters and drains are cleared of leftover leaves and to cut down any overhanging tree branches.

Other universal tips include keeping nearby grass cut short and utilising fire-resistant mesh screening for doors, windows and any openings that could allow burning embers into buildings.

While all these tips are helpful, it's important to acknowledge that even if you have done all the right things to prevent a devastating bushfire loss, the risk of fire is always with us.

So it's also critical that your business is adequately insured in the face of costly rebuilding expenditures.

Give us a call to discuss your risk reduction plans.

The more you do now to lower the risk of loss, the more we as your brokers can negotiate acceptable terms with insurance underwriters.



Building for the future: but don't forget renovations don't always go to plan

Here's how to avoid a renovation nightmare

So you're about to sign on the dotted line, filled with excitement to go ahead with that long-awaited facelift for your business premises or home.

You have done your homework and you're going through the checklist one final time to make sure it's all good to go.

Carpet colours, tick. New door frames, tick. Painter, tick. Renovation payments schedule, ticked.

Wait a minute. What about insurance? Is that in your checklist?

Sure you've got property cover in place but the chances are it has an exclusion for renovation-related activities.

And the reason it should be on your reno checklist is simple: not all renovations go according to plan.

Unforeseen mishaps do happen and in some cases those mishaps can be extremely costly. If you're not covered, you risk being left holding some big unplanned bills. Yes, tradies and subcontractors should have their own insurance, but you should always check it's in place and what it covers.

So what can you do to protect yourself and your asset? For a start, check with the contractor or builder you've employed to handle the renovation.

Ensure they have appropriate builders' insurance or tradies' insurance in place. Don't take their word for it.

Ask to see a copy of their certificate of insurance. Make sure about these aspects before signing any contract with them.

If you can, also ask them what their insurance does and does not cover.

Sometimes they have insurance that only covers what they have been contracted to do, rather than the quality of their work.

You'll be potentially left on the hook if the renovation works somehow lead to cracks or other unintended damage in other parts of your structure – or on surrounding properties. Ideally builders' or tradies' insurance should provide public liability cover and also indemnity for worker accidents.

But what about the DIY renovations at the business premises or home?

Even if it's for your own business premises, you'll still need to make sure you have the right insurance cover in place.

Never assume your property cover will protect you, because it most probably won't.

One other thing. Call us and tell us about your renovation plans and the changes – big and small – that you're planning to make at the insured address.

Keeping us updated – so we can advise you and inform the insurer – is part of your disclosure duty.

And finally, when it's all nearly done we can advise you on how to adjust your cover, because the chances are all that work – and money – will have raised the value of the property. We'll need to adjust your sum insured.

So give us a call and let us work it all out for you as you look forward to happily signing on the dotted line and starting that long-planned renovation.



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