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CLIENT NEWSLETTER

El Nino is back: preparation is everything

After three consecutive La Nina summers brought wet and humid conditions to Australia, the country now readies itself for a return to warm and dry weather. The Bureau of Meteorology has declared an active El Nino and a positive Indian Ocean Dipole, bringing a higher risk of bushfires and heatwaves for many parts of the country.

The bureau typically associates El Nino conditions with reduced rainfall, warmer temperatures, and higher fluctuations of temperature extremes, with a greater increased bushfire risk for southeastern parts of the country.

While the frequency of flooding and tropical cyclones generally decreases during El Nino seasons, the threat for at-risk communities remains active.

Valuable mitigation tactics against fire threats aim to ensure vectors for fire spread are properly reduced.

This includes cleaning gutters of leaves and associated twigs, removing vegetation where it threatens buildings, and maintaining gardens and grassland at diminished heights.

It's crucial to be aware of fire threats and keep track of local fire authorities' declarations about risks specific to your area.

Warmer temperatures can also be managed through cooling systems such as air-conditioners and having

appropriate water availability to prevent dehydration. While preparation and mitigation strategies are vital to reducing loss to your property, some events will be so intense that damage will be inevitable.

As such, it's critical to be sure you are financially protected by insurance policies that appropriately cover your possible losses.

The Insurance Council of Australia advises policyholders to review their insurance plans and make sure they are aware of what they are covered for,

as well as what events are excluded from the policy. As brokers, it's our role to see that your assets are properly protected. And stay in touch; your business needs change all the time.

So call us to ensure you not only understand your risks, but how they can be covered.

It helps to keep a complete and updated list of your company's assets and their value. And remember, in prolonged dry weather fires can escalate quickly and dangerously.

Fire isn't a risk that's confined to rural areas, but if you're in a bushfire-prone region, don't delay – as risks rise, so do the premiums, and some insurers will enact embargoes on new policies as the risks escalate.



Deep-diving: definitions are crucial when it comes to flood

Flood insurance became a contentious issue last year after torrential rainfall and rising rivers inundated homes and businesses across eastern Australia, causing record insurance claims. The disputes that have arisen from so many of those claims emphasise the need for everyone to have a clear understanding of what a flood insurance policy protects your premises from – and what it doesn't.

First let's understand this the way an insurance company does. They will insure you against loss of your property if that loss is caused by risk factors they can calculate – location, drainage, flood history, for example. Different insurers have different approaches to these risks, and different ways of measuring the risk they're prepared to accept. That sometimes results in fine differences in wordings and definitions.

For example, after a flood experts will measure whether the damage was caused by rainfall or surface water. And what kind of surface water? Water rising above a building's floor could come from a river breaking its banks, or rainwater run-off bringing flash flooding, or a blocked drain. Each cause has different insurance implications.

Residents and businesses in high-risk areas sometimes decide against taking out flood insurance due to soaring or unaffordable premiums, while in some cases they have been unaware they aren't insured against flood.

Australia's standard definition, introduced in 2012 and applying to home and contents and small business, says flood is "the covering of normally dry land by water that has escaped or been released from the normal confines of a lake, river, creek or other natural watercourse or a reservoir canal or dam".

Nevertheless, scope remains for confusion when storms cause multiple impacts and water appears to have come from all directions.

Most insurers regard rainwater runoff as part of storm cover, which is covered in policies; but some won't cover rainwater runoff or storm surge when the customer chooses not to take flood cover.


Reasons for this include the challenge of determining where the inundation has come from. Hydrologists are often called upon to decide the source and whether it's due to rainfall or rising water courses. The two types are referred to as pluvial and fluvial flooding.

Increasing premiums have continued in catastrophe-exposed areas, even as some parts of the insurance market have moderated, and local insurers are dealing with persistent claims inflation and rising reinsurance costs. Businesses should be aware that insurers are scrutinising event limits and annual allowances and in some cases looking at rainfall and river flooding together. At the same time, there's more focus on address-level risks and mitigation.

The switch to El Nino climate conditions, which are associated with warmer, drier weather and heightened bushfire risk, has grabbed headlines leading into this summer, but even in El Nino years, torrential storms and flooding remain a possibility.

Recent experiences across eastern Australia show that it's important to closely examine flood wordings and exclusions to ensure that the most suitable insurance applies. Talk to your broker to ensure you know what your policy includes and the circumstances in which you are covered.





Why insurers exclude wear and tear

You used to carry out regular routine maintenance of your property and your equipment.

But in the past few years you've let things slip a bit, with equipment kept in a "fix it if it breaks" approach and property allowed to get a bit messy and even insecure.

Like everyone, you're feeling the inflation squeeze. Your budget's tight and every dollar counts. And the property seems fine. No signs of burst pipes.

No visible cracks in the ceilings or walls that need immediate patching. What's the worst that can happen, right? Wrong.

Not properly maintaining your premises could cost you dear if you ever need to make a claim for damage from an unforeseen weather event or disaster.

Two reports released this year illustrate the importance of property maintenance and how it can potentially affect an insurance claim. The first, from the General Insurance Code

Governance Committee, looked at complaints about home claims that had been denied.

About 55% of the claims examined were declined on the basis of maintenance or wear and tear exclusions.

A second report from the Australian Securities and Investments Commission (ASIC), also on home insurance claims, found consumers don't understand wear and tear exclusions.

People are also often not aware that damage arising from failure to maintain a property in "good condition" is generally excluded from a home policy.

Like home policies, commercial property insurance covers losses from unforeseen events such as fires, storms and hail but not pre-existing damage from gradual deterioration such as weathering of roof tiles, corrosion or rising damp.

Policyholders quoted in the ASIC report said they were unaware of their obligations to keep their property in

a good condition. Nor did they know that damage caused by wear and tear isn't covered. And if you misrepresent the condition of your property to your insurer, it could also lead to a claim denial, if the insurer can show that it would never have covered you had it known the true state of affairs.

Every property, be it home or commercial, is subject to wear, tear and gradual deterioration over time. In many cases the damage is hard to detect but routine maintenance can often prevent cracks, leaks or corrosion from morphing into big problems that can affect an insurance claim.

So don't skimp on the maintenance. If you regularly address any issues, chances are we'll be able to easily prove that your claim is the result of a covered event.

Talk to us so we can make sure your insurer is properly informed. That way your insurance policy will respond when you need it to.



It's a good time to crunch cyber insurance numbers

Australia's small businesses have a good window of opportunity to achieve more favourable terms on cover against malicious cyber attack as this insurance market matures, and the numbers increasingly stack up.

Industry experts say high-profile cyberattacks at large firms such as Optus and Medibank have kickstarted better awareness and risk management practices.

As Australian firms become more adept at warding off cyber attacks, insurers are reacting by rewarding improved procedures that assure them the message has got through to SMEs.

Cyber claims fell sharply in 2022 after three years of record rises, and the severity of claims also eased. This has led to premiums stabilising as underwriters gain confidence, making cyber insurance more attainable as this rapidly growing market develops.

If you show that you understand that cyber attack in its many forms is your

organisation's top risk – particularly if you hold sensitive data – it will optimise your chances of securing affordable and effective cyber insurance. The threat is very real. There were 409 notifications of cyber attacks to the Office of the Australian Information Commissioner in January to June – more than two every day – so there is no room for complacency.

Small businesses must shore up their cyber defences, because they're a soft target for these malicious actors. Almost two-thirds of the incidents impacted companies employing less than 100 people. Ransomware, compromised credentials and phishing are the main methods deployed.

Authorities are also now warning of a "mosaic effect", in which pieces of data are linked, making it even easier for malicious parties to impersonate an individual or access their systems and accounts. In a sign of how long and complex – and expensive – restoration can be, the Government spent 16 weeks

co-ordinating recovery after law firm HWL Ebsworth was hacked in April.

Insurance will not only offer vital financial support should you need to make a claim, but can also come with specialist teams of experts to minimise the loss and help the victim company recover. There's also educational material available on how to ward off a cyber attack and what steps to take should the worst happen.

The best way to secure the best coverage at the best price is, as always, to first have good risk mitigation in place. Insurers may examine an organisation's cyber defences, identify vulnerabilities and provide guidance on how to strengthen cyber security.

Cyber protection is challenging, but it's an expense business owners should not overlook. Talk to us about your individual concerns and possible exposures, and we'll help you to protect your business against the frightening prospect of cyber attack.



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