



McCormick Harris

INSURANCE

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CLIENT NEWSLETTER

The tide is turning ... in your favour

Ask any small business owner what keeps them awake at night, and you're bound to get the same answer: rising costs. Wages, rentals, utilities, the list goes on. Insurance, long under the radar, has added to budget strains in the past few years.

But relief is here. After a long period of premiums rising sharply, they are beginning to level out and, in some cases, fall significantly, according to various industry reports.

In the December quarter, premiums flatlined as market conditions continued to turn in favour of customers seeking cyber, liability and casualty insurance, plus protection for other commercial risks.

The pace of rate increases has gradually eased since peaking at 35% in the

fourth quarter of 2020. In the property line, prices were flat in the December quarter. Insurers have deployed more capacity, a sign of their eagerness to do business.

Competition has also picked up, with new players entering the market, especially from the US, which has contributed to the softer pricing environment.

In the financial and professional space, rates declined 5%, similar to the prior quarter. Directors' and officers' rates continued to weaken, with clients getting reductions of 15% or more, while cyber was flat.

In the casualty class, rate increases slowed to 4% from 5%. Insurers have added capacity and are giving clients more options with their risk programs.

As one insurance executive puts it, customers are now in the "driver's seat", because insurers are keen to write more business. And the expectation is that pricing will continue to turn in favour of insureds. More capacity and more competition can only mean one thing: lower premiums.

So if you have been looking at your business insurance and trying to find ways to ease the strain on your budget, now's the time to do something about it.

And the sooner you get it done, the better it is for you. There's one less item on your list of concerns.

Remember you can help yourself by presenting the best possible risk mitigation plan, and we can assist with that. Talk to us to make sure you're getting the best cover at the best price.

Rights and wrongs – employee disputes can prove expensive

Lawyers have a plethora of experience to draw upon when it comes to wrongful dismissal claims and employees taking action over unfair treatment in the workplace.

Examples include a supervisor aged in his 60s who successfully claimed for wrongful termination and discrimination when his position was made redundant before the role was filled by a relative of the business owner.

The Fair Work Commission found in favour of a man dismissed from a family smash repair business after already-strained relationships with his parents reached breaking point when he arrived late for dinner.

Those decisions clearly went in favour of the employees, but sometimes, even when terminating a person's position or changing their role for good reasons, a lack of due process has tripped up the employer.

The costs of defending disputes can quickly escalate, particularly as inflation drives up legal bills and settlement outcomes, and many disputes are complex.

Employment practices liability insurance provides cover for actions against businesses concerning issues such as unfair dismissal and claims around discrimination, sexual harassment and bullying.

The cover has come into its own as workplace law reforms, societal changes and shifts in expectations affect the range of matters that must be considered.

Legislative reforms in recent years include the Respect at Work Act at the end of 2022, which introduced changes arising from the National Inquiry into Sexual Harassment in Australian Workplaces.

This puts more responsibility on business to not only respond effectively to cases of harassment or discrimination, but to take steps to prevent adverse conduct in the first place.

A workplace environment could be considered hostile if a reasonable person might view it as offensive, intimidating or humiliating, with examples including displaying obscene materials or sexual innuendo.

Unexpected events can also have ramifications, as shown by the covid lockdowns that started in early 2020.

The pandemic led to disputes over vaccination requirements, while the shift in working practices has since been followed



Risky business: workplace disputes are increasingly common

by issues around returning to offices and repercussions for people preferring to remain at home.

Technology and pandemic-driven changes have also increasingly blurred boundaries between work and home, leading to Federal Parliament this year passing “right to disconnect” legislation.

The laws mean employees may refuse to monitor, read or respond to messages from an employer outside normal working hours, except in certain circumstances.

Diversity and inclusion considerations and laws around employee rights continue to evolve.

Even when a business believes it has followed all rules by the book, disputes can arise, and they can be expensive.

Talking to a broker about the appropriate cover has never been more important.

Lithium batteries – the heat is on



Don't ride your luck: lithium batteries can cause devastating fires

From phones to electric cars and our increasingly green power grid, some of the greatest technological advances of recent years have one driving force in common: the lithium-ion battery.

These rechargeable batteries are everywhere: they can be found in e-bikes, e-scooters, forklifts, power tools, laptops and tablets, camping and gardening equipment. They are present in practically every Australian home and workplace. But they are not without risk, and it's vital that business owners consider the dangers and insurance implications.

While battery fires remain relatively rare, they seem to be on the rise. There were at least 180 such blazes last year in NSW alone, according to emergency services.

And recent figures from insurer Allianz show the importance of exercising caution. It has reported a 440% increase in claims for lithium-ion battery fires in the past three years, with soaring costs largely driven by commercial property damage.

The source of the batteries' power is also the source of the danger. Lithium ions allow for the storage of large amounts of energy in a relatively small area, but the liquid electrolyte in which they are held is highly volatile and flammable, and in producing power the batteries also generate heat.

Dr Matthew Priestley from the Energy Systems Research Group at the University of NSW School of Electrical Engineering and Telecommunications says an overheating lithium-ion battery can succumb to a phenomenon known as thermal runaway. "In this process, the excessive heat promotes the chemical reaction that makes the battery work, thus creating even more heat and ever more chemical reactions in a disastrous spiral," he says.

It makes for self-sustaining fires that can burn to 400 degrees within seconds, and that are particularly hard to extinguish. Damaged or failing batteries can also explode or release toxic fumes.

As they become increasingly widespread, the safe use and storage of

lithium-ion batteries should form part of any workplace risk management plan.

Dr Priestley says batteries should not be exposed to high external temperatures, and they should not be overcharged, as this can also create overheating. He also urges caution if a battery sustains damage such as being dropped or pierced.

Lithium-ion batteries should be charged and stored in cool, dry places, well away from flammable materials. And it is important to use the right charger for the device – avoid cheap, generic ones. Allow time for batteries to cool after use and before charging. Batteries should be disposed of at dedicated hazardous waste collection points or battery recycling services only.

If you are unsure about the impact of lithium-ion batteries, or how to handle them, talk to us. It's important that we know the role they play in your operations so we can make sure you're across all the repercussions for your business, and your insurance cover.



It's good to talk: keeping in touch with your broker is time well spent

Don't be a stranger to your broker

Do you only contact your insurance broker when you need to renew your policy or make a claim?

It is a common misconception that insurance is a “set and forget” affair, when in fact your broker needs to be kept abreast of any changes to business or personal circumstances.

Here's a cautionary example: the owner of more than \$700,000 in stock destroyed by fire had a nasty shock when the insurer fought the claim, saying it would not have provided cover had it known the property's roof was made using asbestos and not iron sheeting.

It's a startling reminder of the importance of frequent and accurate

communication with your insurance broker, and illustrates how vital it is to regularly keep in touch with your broker, who can help ensure you have no gaps in cover.

Small businesses must make this a priority as they adapt and grow, to make sure insurance still reflects their needs.

New employees or subcontractors may change your risk profile, as any faulty work or advice may not be covered under current insurance. Your broker can advise what is covered and whether your subcontractor needs their own liability insurance.

You should also contact your broker at the first sign of a complaint that may lead to a professional indemnity claim

– for example, any suggestion your advice caused financial loss. Changing the products or services your business offers is another instance in which you must notify your broker, as adjustments may be needed to your policy mid-term. (If a service is not listed on your schedule, it may not be covered.)

If there are substantial changes to annual revenue, or if you move premises, renovate or buy equipment, you will need to notify your broker to adjust your sum insured.

In short, if anything changes and you're unsure whether your insurance needs updating, a quick call can help clear up confusion and ensure you continue to access the best cover.

To get the best from your insurance broker – and for full peace of mind – don't be a stranger. Keep us up to date every step of the way; we can't help if we don't know. And rest assured, we'll also do our bit and check in regularly.



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