Welcome

Welcome to the March-April issue of Insurance Insight.

One of the hot topics in the insurance world at the moment is the plethora of websites that help you shop around and compare policies.

On the surface, we can see the appeal – the expectation that technology (and cute Russian meerkats) will make the task of selecting an insurance policy quicker, easier and save you money.

The problem is that insurance needs be compared on the basis of value and policy inclusions/exclusions – and the best “fit” for your business – not just the cost of the premium, which can be the primary criterion for recommendations from some comparison websites.

Now the Australian Government is getting in on the act with its own aggregator for North Queensland home insurance, which may include unauthorised foreign insurers. The Insurance Act 1973 provides a limited exemption that allows unauthorised foreign insurers to provide cover for insurance business that cannot be appropriately placed in Australia, such as high value, atypical or customised risk.

Without a broker to represent their interests and offer advice, policy-buyers may not be fully aware of the potential risks they face when dealing with an unauthorised foreign insurer, who is not subject to all of Australia’s prudential regulations.

As insurance brokers, EBM acts in the best interests of our clients, helping you select the most appropriate and cost-effective cover for your particular situation from an open panel of fully authorised insurers, both domestic and foreign. This means our expert advisers are in your corner – not just when you buy a policy but later when you review your cover and if you ever need to claim.

We hope you enjoy this edition of Insurance Insight keeping you up-to-date with EBM and industry news.

Steve Sparkes
Managing Director
(Broking)

Ward Dedman
Managing Director
(Operations)

If you wish to opt-out of receiving future newsletters simply click on the link at the bottom of this email.
News in brief

National Disability Insurance Scheme in trial phase
Sixteen participants in trials of the National Disability Insurance Scheme will outline their experience of the scheme and how it could be improved as part of a “citizens jury” organised by People With Disability Australia, in Sydney this April.

$400 million in damages from cyclones
Devastating cyclones have hit both Australia’s east and west coasts in recent weeks. Queensland’s Tropical Cyclone Marcia, in late February, has resulted in estimated insured losses of more than $400 million to date in communities including Yeppoon and Rockhampton. Almost 30,000 claims had been lodged by mid-March, according to the Insurance Council of Australia. On the west coast, Cyclone Olwyn, which hit in March, has destroyed banana plantations and caused substantial property damage in both Carnarvon and Exmouth.

Hire car insurance 5x more expensive at the hire counter
Insurance for hire cars costs almost five times as much if purchased at the hire counter compared to rates for travel insurance policies that include hire car insurance, according to consumer advocacy group Choice.

Liability insurance covers SP Ausnet from $378.6m settlement
Electricity distributor SP Ausnet has highlighted the benefit of liability insurance in the wake of a class action law suit brought by people affected by a bushfire in East Kilmore-Kinglake in 2009, with its insurers covering a $378.6 million settlement. SP Ausnet reached the settlement without admission of liability.

Funeral director sentenced for faking almost 200 deaths
An Adelaide funeral director, who faked the death of almost 200 clients in order to claim insurance payouts of more than $700,000 between 2003 and 2013, has been sentenced to four-and-a-half years in jail, with a three year non-parole period.
Terrorism insurance arrangements in Australia have come under renewed focus in the aftermath of the Lindt Café siege in Martin Place, Sydney.

While most commercial policies exclude terrorism, many businesses can nevertheless access cover if the government declares an event to be a “terrorist incident” – as Treasurer Joe Hockey did in response to the siege.

Under the Terrorism Insurance Act, such a declaration nullifies clauses excluding terrorism in some eligible policies and, if the claims are large enough in dollar value, gives insurers the right to claim against the Australian Reinsurance Pool Corporation.

EBM Managing Director Ward Dedman said it was worth noting that other policy terms and conditions would still apply, such as waiting periods and deductibles, in the event of a declared terrorist incident.

“In the siege, it was not only Lindt Café that was affected and was able to claim. Other businesses also suffered because of the lockdown in the surrounding area which interrupted normal business,” he said.

The siege could also cause a reassessment of potential changes previously mooted by the Federal Government’s National Commission of Audit which last year stated there was “scope for a gradual Commonwealth exit” from the scheme as market capacity increased.
In the spotlight: cyber insurance

Some policies are more equal than others – particularly when it comes to cyber insurance.

EBM Insurance Brokers Managing Director Steve Sparkes warned that cyber policies varied widely in terms of the protection offered.

“Cyber risks are evolving and emerging and insurers are continuing to respond to that in a range of ways, taking different approaches, so tailored advice is particularly important,” he said. “The information insurers require about your business and its cyber-preparedness also varies markedly.”

Cyber attacks cost local businesses an average of $2.8 million last year – or $145 for each lost or stolen record – according to research sponsored by IBM, which also found that companies in retail and financial services were at most risk of breaches.

However cyber risks extend beyond data and privacy breaches. For example, a system upgrade at British Airways disrupted baggage handling systems for three days and 20,000 bags were lost. Cyber risks can cause both direct and indirect costs, including business interruption, reputational damage, loss of customers and the cost of improving computer security.

At a recent symposium, Alec Christie, an insurance lawyer and partner at firm DLA Piper, warned that cyber risk should not be seen as an IT issue but an enterprise risk management issue that needed to be addressed from the board down.

Cyber attacks were no longer a matter of “if” but “when”, he warned.

From EBM’s experience, Steve highlights that cyber risk protection should include staff training, strong digital and physical protection of systems used to handle sensitive information, and contingency planning – as well as insurance.

In particular, Steve points out that it is important to:

- ensure all software was up to date;
-(protection and regularly update passwords, which should not include names, birthdays, addresses or common codes such as “password” or “1,2,3,4,5,6”;
- use up-to-date security software;
- have strong fire walls and data encryption systems; and
- train staff not to open suspicious emails or social media posts.
New partnership cements international capabilities

EBM Insurance Brokers has been named Australia and New Zealand partner to the prestigious **Global Broker Network (GBN)** – an international industry network with representation in more than 100 countries.

EBM Managing Director, Ward Dedman, said membership of the Global Broker Network would further bolster EBM’s international credentials and connections, on top of the firm’s membership of the **Asia Australasia Alliance** and its status as a cover-holder with **Lloyd’s** of London.

EBM Executive Chairman and founder, Alan Bishop, will sit on GBN’s global advisory committee and becomes one of only two members from the Asia Pacific region awarded that role.

“In the current era of globalisation, businesses in many sectors are exposed to overseas activity – whether that’s manufacturing, suppliers, shipping, communications centres or export sales – and insurance is vital in facilitating that,” Mr Dedman said.

“EBM have worked with most leading insurers, both locally and overseas, for four decades which means we are able to access the widest possible range of options for our clients to ensure they have the best cover to meet their particular needs.”

With offices in London and Chicago, GBN is a leading global insurance network incorporating more than 5000 insurance professionals in over 100 countries. It has developed a business network that enables GBN partners and their clients to transact anytime, anywhere and in every language.

In announcing the new partnership with EBM, GBN said: “In the ever-changing complex environment of insurance, EBM provides honest and personal representation for their clients with the simple objective of achieving the most appropriate and cost effective cover”.

---

New partnership cements international capabilities
A quality education is an enduring gift for any young person – but it can come with a high price tag.

Managing Director of EBM Financial Planning Jay Manley says parents and grandparents frequently seek advice on how best to save for a child’s school and tertiary education.

“Private secondary school fees can cost over $30,000 a year – and that’s before you count uniforms, music lessons, camps, balls and other extras,” he says. “The days of free tertiary education are also well and truly over, although at the moment students can access funding support and pay it back when they’re earning an appropriate income.”

If you are trying to save for children’s education there are a range of options to consider. However it is generally not advisable to invest the funds in the child’s name as the tax can be as high as 66 per cent on income over $416 a year.

Jay urges families to look for expert financial advice before making any decisions but, broadly, options include:

- Savings accounts and term deposits – easy to access and simple to administer but returns are low in the current environment and interest earned will be taxed at your marginal rate.
- Managed funds – these are growth assets but can be volatile, and might be “down” just when you need to sell them.
- Insurance bonds – require forward planning as the minimum term is generally 10 years, however there is usually no tax bill for the investor on income or capital gains.
- Your mortgage – mortgages with offset accounts or redraw facilities allow you to get ahead on your repayments then access the funds when children’s education expenses arise, however this tactic requires discipline, so you don’t end up spending the money on something else, and it could prove troublesome in the event of a divorce.
- Education funds – these are similar to insurance bonds but have tighter rules about how funds can be used. Earnings used for education are taxed as income for the student, which is fine if they are over 18 but, for children, can involve very high rates of tax.
EBM’s new legal eagle

Twenty years ago, EBM’s newly-appointed Legal Counsel Vedrana Dekich was a refugee and mother of two young children who had just arrived in Melbourne in a bid to escape war in her native Croatia.

Today, she’s a successful and highly regarded expert in insurance law.

In between, there’s been a mountain of work, particularly in the early years, when she studied full time to requalify as a lawyer while working full time as a paralegal – and raising two children.

“I was working 16 to 18 hours a day between work, study and the kids, but what doesn’t kill you makes you stronger,” she laughed.

Vedrana comes to EBM with 15 years’ specialist insurance legal experience, most recently as a claims advocate with a multinational broker.

She has achieved multi-million dollar payouts in claims that were initially denied, and successfully negotiated settlements in a range of specialist insurance areas including industrial special risks, professional indemnity, contract works and liability.

Vedrana is a straight talker who favours face-to-face negotiation over litigation wherever possible. While she’ll be advocating for EBM clients, she is also a qualified mediator – and will be a great person to have in your corner in the event of a contested or complex claim.

“I enjoy the challenge of bringing opposing parties together and finding a solution that doesn’t leave the client unhappy, while still being fair to the underwriters. They also have an interest in preserving the relationship,” she said.

Outside work, Vedrana enjoys Hatha yoga, walking, swimming, spending time with her now-adult children and socialising with friends who have become a surrogate family to her in Australia.
**Contact Us**

**EBM Insurance Brokers**, with offices in New South Wales, Victoria, Queensland and Western Australia, delivers local expertise combined with the national resources of one of Australia’s largest insurance broking companies.

Email us at ebm@ebminsurance.com.au or contact a local broker who can help you determine your insurance needs. Call 1300 INSURE (1300 467 873) for your nearest office:

- **Sydney**  
  Level 4, 151 Castlereagh Street, Sydney New South Wales 2000
- **Melbourne**  
  651 Victoria Street, Abbotsford Victoria 3067
- **Perth Office**  
  105 Outram Street, West Perth Western Australia 6005
- **Gold Coast**  
  Level 8/64 Marine Parade, Southport Queensland 4215
- **Bunbury**  
  4 Victoria Street, Bunbury Western Australia 6230
- **Kalgoorlie**  
  47-49 Boulder Road, Kalgoorlie Western Australia 6430
- **Geraldton**  
  65A Forrest Street, Geraldton Western Australia 6530
- **Karratha**  
  Suite 122, The Pelago West Karratha Western Australia 6714
- **Sale**  
  1/396 Raymond Street, Sale, Victoria 3850

*Important note:* Our advice is provided for your general information and does not take into account your individual needs; you should read the respective insurers product disclosure statement which we can provide upon request before taking out cover.