

# Insurance Insight



INSURANCE INDUSTRY NEWS AND VIEWS FROM EBM

Dear Reader

Happy New Year and welcome to the January edition of Insurance Insight.

Last year, the international insurance market responded to a multitude of natural catastrophes and the growing threat of cybercrime – and the risks continue to evolve in 2018.

A survey conducted by the Risk Management Practice Committee polled CROs of APRA-regulated banks, general insurers, life insurers and private health insurers about the risks they foresee in the year ahead.

The list of top risks for 2018 included regulatory or legislative change, increased industry competition and lower profitability, and cyber risks. Other major concerns included economic slowdown/recession, failure to meet consumer needs or to innovate, and brand or reputational damage.

At EBM we will continue to monitor the evolving risks for our clients across a full range of diverse industries and work with insurers to ensure that the policies available offer both extensive protection and cost-effectiveness. We will also continue to identify gaps in the market and develop bespoke policies to broach these gaps.

As Australia's Notifiable Data Breach regime under the Privacy Act 1988 comes into force on 22 February 2018 and the EU's General Data Protection Regulation also comes into force on 25 May 2018 which will apply to many businesses that collect or process the data of European citizens, in this edition we detail why having Cyber Liability cover is of growing importance.

We also head to the regions to report on how our regional offices are responding to a growing demand for cover from farming clients as a positive reversal in fortunes has seen crop yields unexpectedly rise.

Also following a positive uplift in business conditions and confidence, our EBM Finance column outlines the benefits of equipment finance as many businesses look to take advantage of the upturn to expand or upgrade their operations.

We welcome your feedback and invite you to [contact us](#) to partner with you in 2018 to ensure that the right covers are in place to mitigate the risks unique to your business.

Ward Dedman, Managing Director (Group Operations)  
Steve Sparkes, Managing Director (Corporate Broking)

## NEWS IN BRIEF

### NSW stamp duty exemptions

New stamp duty exemptions for certain type of insurance acquired and renewed on or after 1 January 2018 have come into effect in NSW. The exemptions relate to crop and livestock insurance, and insurance taken out by small businesses with an annual turnover of \$2 million or less for occupational indemnity insurance, public and product liability insurance, commercial vehicle insurance for motor vehicles used primarily for business purposes, and commercial aviation insurance for aircraft used primarily for business purposes.

### Insurer refunds clients

Insurer Youi has provided 102 policyholders with refunds totalling \$14,000 and paid \$150,000 into the Financial Rights Legal Centre's Insurance Law Service as a "community benefit" following revelations that its staff had signed people up to policies without their permission. It follows a NZ\$100,000 fine imposed by the Insurance Council of New Zealand and another of NZ\$320,000 from the Commerce Commission for similar breaches in Youi's NZ call centre.

### CTP reform in NSW

Drivers in NSW will benefit from a new CTP insurance scheme with more coverage, faster claims processing and more affordable premiums. Under the scheme, injured road users will be provided with defined benefits for medical treatment and care while the more seriously injured will continue to receive common-law entitlements.

### Dashcam averts scam

An attempted crash-for-cash insurance scam in Victoria was averted after a damaged van swerved in front of a car and was hit. The van driver fled the scene after the car driver said he had captured the incident on dashcam.

### Health insurance numbers continue to decline

The rate of hospital cover in Australia has continued to fall. The percentage of the population covered fell from 46.1 per cent in the June 2017 quarter to 45.8 per cent in the September quarter. Next month, the Private Health Ministerial Advisory Committee will inform insurers of its decision regarding maximum premium increases (effect from April).

## Roller coaster ride

Owen Connolly from the Geraldton office says EBM is teaming with its farming clients for the long-haul despite a 2017 season marked by unusual weather patterns which slashed, then unexpectedly raised, crop yields.

Weather-driven crop yields mirrored in demand for cover

Australia is renowned in verse as a land of droughts and flooding rains.

The impacts of seasonal storm patterns, which traditionally shape the fortunes of our grain farmers, can also be mirrored in the demand for insurance products, such as EBM's market-leading **FarmCover**.

After a record 15 million tonnes of wheat was shipped from Western Australia following the 2016 growing season, the State's broadacre farmers experienced a roller coaster ride through 2017 – especially in the northern wheatbelt.

Executive Account Manager, Owen Connolly, said that with little or no rain in the traditionally wettest months of July and August, many of the Geraldton office's clients were facing the prospect of total crop failure by mid-growing season. So, many of them had no need to take out crop cover.

"I did a drive of a few hundred kilometres across some of the broadacre farming areas in July and saw only a handful of paddocks which looked like they were going to get any sort of crop," said Owen.

But then a welcome succession of storm fronts brought about half the year's normal winter falls during August and September. This ushered in better seasons, with crops recovering far better than anybody could have hoped.

Many farms were able to recoup their costs and get enough seed for the following season. By the end of the 2017 harvest, a forecast 1.2 Geraldton regional terminals had been exceeded by some 25 per cent.

Growers in other WA regions saw a turnaround to yields approaching long-term averages, following the previous bumper year.

"We have a great product with FarmCover and EBM sees tremendous growth opportunities in Australia's agri-business sector because of the reliability of our producers and the quality of the products they produce. These are increasingly important factors in global markets," Owen said.

"There will always be occasional poor seasons but EBM is there for the long-haul in working with our farming clients."

Owen's operational area extends from north of Geraldton through WA's inland wheatbelt to the Great Eastern Highway cross-continent route, and in 2018 he's aiming to get out even more into the field and be talking to farmers across his vast 'patch'.

"While online communications are taking over more and more aspects of primary producers' operations, many farmers still value face-to-face contact," he said.

The year-end period saw another weather challenge for farmers in WA's northern wheatbelt.

"We've had more hail events through the end of 2017 than ever before. Normally you get a few each season but through the closing months of the year the hail damage claims were consistently coming through the door. But we are always there ready to help our clients manage through these challenging situations.

"These destructive weather systems have been extending further north, with areas like Northampton being hit hard. The whole weather pattern seems to have changed. Previously hailstorms would go through in strips but in 2017 these patterns were really widespread and affected much broader areas of land."



## Data exposure disaster

Mandatory data breach notification requirements come into effect next month – are you prepared?

Cover-up is not an option – anymore

Late last year drivers and passengers around the globe were shocked to find that Uber had been the victim of a massive data breach – more than a year prior. It was revealed that some 57 million people, including Australians, had their data stolen. For many, what was even more disturbing than the breach itself was the fact that it was covered up.



Figures from Roy Morgan reveal that more than 2.69 million Australians, or 14 per cent of the population, use the ride-sharing service. In November, Uber contacted the Australian Privacy Commissioner Timothy Pilgrim to inform him that local users had been caught up in the breach but did not say how many customers were impacted.

According to Uber, in 2016, two individuals downloaded data from a third-party cloud server used by Uber which contained names, email addresses and mobile phone numbers of 57 million users around the world (Uber claimed that credit card numbers had not been exposed). Uber paid the hackers US\$100,000 to delete the stolen information and cover up the breach. In November 2017, when the breach came to light (despite the legal requirement to notify authorities in the US being in effect), the new boss of the ride-sharing company admitted there had been a “failure to notify affected individuals or regulators”.

The Uber breach follows a series of high-profile cyber incidents which led to data exposure including two Yahoo breaches announced in 2016 and the September 2017 exposure of personal information by consumer credit reporting agency Equifax.

If these data breaches had occurred next month, it would have been a different story and all affected Australian clients would have been notified.

On 22 February the new Notifiable Data Breaches (NDB) scheme comes into effect. The NDB was established with the passage of the Privacy Amendment (Notifiable Data Breaches) Act 2017 and requires all organisations covered by the Privacy Act 1988 to notify the Australian Information Officer and individuals likely to be at risk of serious harm of any data breach. Failure to comply with the requirements can result in a range of consequences from public apologies, compensation payments and, for serious breaches or repeat offenders, civil penalties. Civil penalties are currently \$360,000 for an individual and \$1.8 million for a body corporate.

In May, organisations that operate in the EU (or process the personal data of EU citizens) will be subject to similar requirements with the introduction of the General Data Protection Regulation. It carries a fine of up to €20 million or 4 per cent of global annual turnover (whichever is higher) for non-compliance. Under current British law, organisations which fail to disclose data breaches to regulators face a maximum fine of up to £500,000.

A data breach occurs when personal information held by an organisation is lost or subjected to unauthorised access or disclosure, for example when:

- a device containing customers' personal information is lost or stolen
- a database containing personal information is hacked
- personal information is mistakenly provided to the wrong person

In this day and age, all organisations – large and small – run the risk of being hacked and accidentally exposing data.

But it appears many Australian businesses are not ready for the NDB scheme. Research by cybersecurity firm ESET found three in five Australian organisations were not prepared to report cybersecurity breaches immediately and one in five IT professionals had not heard of the new requirements or did not know if they would be affected by the new law.

Data breaches can have serious ramifications for an organisation – financial, operational, legal, reputational – making risk mitigation a necessity. We encourage you to talk to your EBM Account Manager about [Cyber Liability insurance](#).

## EBM Finance

As business confidence rises, many will look to boosting their operations with new equipment this new year.

### New year, new equipment

As 2017 drew to a close, a number of respected industry surveys revealed Australian business confidence had experienced a boost, while business conditions were the best in two decades – making the new year a great time to consider plant and equipment upgrades.

According to NAB's monthly business survey, business conditions (which measure sales, hiring and profitability across the states) rose in October to a record high. The uplift was evidenced across all industries and the result of large increases in profitability and sales.

The ANZ-Roy Morgan business confidence report also showed uplift in November. The majority of businesses (54.3 per cent) said now is a 'good time to invest in growing the business' and almost half (49.7 per cent) were expecting 'good times' for the Australian economy over 2018.

And although the RBA also announced that economic growth would accelerate to around 3 per cent by 2019, economists are not predicting that interest rate rises are imminent. As a result, business investment is showing signs of improvement (ABS figures showed total new capital expenditure rose by 1.1 per cent in the September quarter) and the RBA noted that non-mining investment was stronger.

"With conditions and confidence on the rise, now is a good time for businesses to tap into the improved economic conditions and invest in new plant and equipment," said Gary Watkins, EBM Finance Director.

"Depending on the individual needs of each business – including whether buying equipment outright or leasing is best – a range of financing options can be explored. The right finance package can give a business access to the funds required to purchase the assets it needs to achieve further growth."

The benefits of equipment financing include:

- Preserving working capital
  - an asset being financed usually acts as the security for the lending; no need to tie up equity in other business assets as security.
  - streamlined expense planning (predictable and consistent budgeting and cash flow).
- Flexibility
  - repayments structured to match your cash flow cycles (monthly, quarterly or seasonally).
- Fixed payments
  - certainty of fixed payments on finance lease or hire purchase, or a fixed interest rate on chattel mortgage.
- Tax advantages
  - potential tax benefits (claim input tax credits for the GST, depreciation and interest) depending on the equipment finance chosen.

EBM Finance can provide options to help businesses across all industry types finance equipment purchases. Different types of loans can be arranged to suit:

- Chattel mortgage
- Commercial hire purchase
- Asset lease

Speak to one of our **finance brokers** to discuss your options (including low doc and no financials loans from \$5,000 to \$500,000) and see how we can help you secure the asset, negotiate competitive terms and conditions, minimise banking risk and minimise or eliminate the need for additional security.



## WorkCover updates

### iCare New South Wales

#### Changes to claims management

A reminder that as of 1 January 2018 all new New South Wales workers' compensation claims with a date of injury from 1 January 2018 onwards need to be lodged with Employers Mutual Limited (EML) for processing.

Please note: All other existing open workers' compensation claims currently with EML, Allianz and GIO will continue to be managed by the assigned insurer as usual.

### WorkCover Tasmania

#### Claims process changes

Tasmania's Workers' Rehabilitation and Compensation Act 1988 was recently reviewed and amended to assist in streamlining the claims process.

Below is a snapshot of some of the changes effective 1 January 2018:

#### Written notice of right to make a claim

- Notice to a worker of their right to make a claim is now only required to be served within 14 days' of notification of a workplace injury, if a worker does not serve a workers' compensation claim on the employer. Notification must be given in the prescribed form (GF172), which can be found at [WorkCover Tasmania - Notice to Injured Worker](#).

#### Removal of excess

- For all new and renewal of policies occurring post-1 January 2018, the excess for the first weekly payment and first \$200 of other benefits payable is **no** longer applicable (i.e. if policy renewal is 31/03/2018, the excess will apply for all claims with date of injury up to and including 30/03/2018).

#### Medical certificates

- Workers' compensation medical certificates must not be provided for more than 28 days of total incapacity (previously 14 days). Medical practitioners are no longer required to be accredited by the Board to issue workers' compensation medical certificates.

#### Requirements for return to work co-ordinator and injury management and return to work plans

- The appointment of a return to work co-ordinator is required for employers who employ more than 100 workers (previously 50).
- Employers are no longer required to develop and implement return to work and injury management plans within timeframes specified in legislation; however, the timeframes for plans must be outlined in the injury management programs developed by the insurer.

#### Display of documents in workplace

- Employers are no longer required to display a summary of the Act or details of their workers' compensation insurer in their workplace.

#### Age restrictions

- Age restrictions for weekly payments have been removed and will be in alignment with the *Social Securities Act 1991*.

Additional information on the above summary and all other changes can be found by visiting [WorkSafe Tasmania](#).

### Northern Territory WorkSafe

#### Changes to average weekly earnings

Under the *Return to Work Act*, injured workers in the Northern Territory have a range of entitlements available to help them recover from a workplace injury and return to work.

As of 1 January 2018, changes to the average weekly earnings affect certain sections of the Act, including:

- Weekly Compensation Payments: The maximum entitlement after 26 weeks is \$2,424.75 per week
- Non-Cash Benefits: The maximum payable for electricity, meals or accommodation is \$565.78 per week
- Vehicle Running Expense: \$0.33 is the suggested rate per kilometre

Further information is available from [Northern Territory WorkSafe](#).

### EBM's Workers' Compensation and Injury Management specialist team

EBM can assist you with all your **workers' compensation policy** and **injury management** needs, please contact us to see how we can help.