

brokerwise

Brought to you by: **Council of Queensland Insurance Brokers Inc**

Welcome to brokerwise

Within the pages of this quarterly newsletter we plan to bring you a variety of interesting stories, opinions and news items.

in this issue

Super Funds

...it's your choice.

Electronic equipment

...worth a fraction of cost.

Car rental

...hidden costs.

Executive travellers

... a company responsibility.

Insurance Brokers

... essential expertise.

Super: Your money, your choice.



From an election commitment which began in the mid 90s, the Government's "choice of super fund" policy has finally been realised with the passing of the Superannuation Legislation Amendment (Choice of Superannuation Funds) Act 2004.

The new "choice of super fund" regime will commence on 1 July 2005 and will operate within the superannuation guarantee platform.

Empowerment of employees is a key driver for the Government's policy. Senator Helen Coonan in her second reading speech to Parliament stated:

"Choice is sound policy...In summary; it gives people the basic right to control their superannuation. It will encourage employees to take a greater interest in their retirement savings...it will not only empower workers to make decisions but it will also allow them to have a better connection with their superannuation savings."

But what does "choice" mean for employers?

The heart of the new regime is that from 1 July 2005 all employers may need to contribute to an "eligible choice fund" that has been selected by each employee. This arrangement will apply to current and new employees, and can even apply to members of a defined benefit superannuation scheme.

Importantly, there are certain exclusions that apply for some award-based employees covered under certain industrial agreements. Your lawyer can assist if you employ such employees and determine obligations in this regard.

Employers' responsibilities

If choice does apply, employers will be required to provide both current and new employees with a "Standard Choice Form" within a required time frame. Some of the content requirements of these forms have been set out in the legislation but further detail will be provided in the regulations which are due to be released early next year.

The legislation makes provision for situations in which employees who have the option to choose a fund have not done so, and further outlines the situations in which an employer may refuse to accept a fund chosen by its employees.


What about costs?

It has been said that the costs of implementing choice will not impact heavily on employers and superannuation funds. Senator Coonan in her speech also stated that the new regime will:

"...minimise costs for employers...and create a competitive environment that ensures superannuation providers are working as hard as possible for the retirement income of all Australians."

However, it's expected that minimising costs will be a difficult task. Although the Government will be supporting the "choice" initiative by committing \$14 million to an education campaign, employers and superannuation funds will be subject to additional educational and administrative responsibilities.

What now?

Given that these changes are only 7 months away, employers are urged to familiarise themselves with their responsibilities. 

Member:



“\$500 compensation? ...but it cost me four grand!”

It's said that the minute you drive a new car out of the showroom it loses 20% of its value. In the instant devaluation stakes, if motor cars take the biggest drop, electronic equipment - and especially computers - are the second hot favourites.

Beige boxes and other devices that plug-in to the information pool are now well and truly part of everyday life. Yet it seems almost as soon as equipment is purchased it's already only days away from being superseded by even more powerful, more versatile products. Another impact of new models and upgrades is the limit to the useful life of what was once, and it seems only yesterday, state-of-the-art. Have you tried Windows XP on a Pentium 2 lately?

Heavily reducing depreciation is another factor and the release of new models and their impact on the value of currently insured equipment poses a dilemma for Insurers as well as owners.

In the event of a claim through loss or damage of electronic equipment how does an insurance company

settle? Here are settlement solutions adopted by some of them:

- Company 1: We provide the insured with a brand new model with no allowance for the extent of depreciation of the insured item or the fact that the replacement is far superior, faster and with more 'bells and whistles'.
- Company 2: We pay full replacement value for, say, the first five years of cover and from thereon the written down value or market value of the damaged or lost equipment.
- Company 3: We pay only the market value of the insured equipment.
- Company 4: We offer the replacement value, then assess the value of the new, better optioned equipment and ask the insured to pay the difference.

Other insurance companies have different settlement solutions. We suggest you read your policy carefully as the policy wording will make it clear what compensation you can expect from your insurer in the event of a claim. If you have any concerns or queries, don't hesitate to contact us. 🐱

Business Travel Risk Management

From muggings to acts of international terrorism, the world is a place of increasing danger both from terrorism and crimes against the person. Travelling executives in particular are a prime target due to their often lack of familiarity with local surroundings.

Most at risk is the international business traveller and companies now need to include "security" as part of their management obligations for employees travelling on company business. Awareness of the dangers that confront travelling staff should be identified and acted on through a formal risk assessment program. These programs are moral and legal requirements under the employer's "duty of care" provisions to ensure the protection of their most valuable asset and should be undertaken for most world destinations. It will also assist with, but not remove the chance of possible liability claims.

The Department of Foreign Affairs publishes on its website risk evaluations for major ports throughout the World. Commercial risk assessment companies are also able to provide risk evaluations and are certainly worth considering prior to sending staff overseas.

Safety, the associate discipline of security, should also form part of the risk assessment. Here are a few tips:

1. In several countries, taxi-cabs are not covered for public liability. Enquire through the airline to arrange a private hire car service if possible.



2. Once through customs, keep control of your luggage and do not enter any form of transport until all bags are loaded into the transit vehicle.

3. Avoid wearing American corporate branded clothing when traveling.

4. If looking for a good hotel, enquire where the flight and cabin crew are accommodated. These are thoroughly checked by airline security.

5. When checked into your hotel, look for the emergency evacuation plan in the room and identify escape routes.

6. Request a room on the hotel's lower levels. Often local fire tenders do not have long ladders.

7. Before going out at night, identify yourself to the hotel concierge. Have him explain to the driver the location of your destination.

8. Avoid excess alcohol. The medical records of world hospitals are testimony to the number of assaults experienced by executives who over-indulge.

9. Always carry prescription medicine in the original container. Many countries will detain you for possession of unidentified pharmaceuticals.

Sky Marshalls appointed in Australia and the U.S. help protect travellers while in the air however, they are few and far between. But whether on the ground or five miles high, self-help through risk analysis and good planning are the most important defence mechanisms while travelling. 🐱

All my bags are packed...

Leaving on a jet plane... it seems almost everyone is either thinking about or planning a getaway to exciting destinations. Overseas travel, for most of us, is the big buzz.

That trip of a lifetime though could turn into a journey to hell without adequate travel insurance. Cancellations, lost luggage, accidents and illnesses can all ruin your dream holiday. And if you think it won't happen to you, statistics show that more than 20,000 Australians a year have a serious problem when travelling overseas.

It's bad enough having your holiday spoiled. It's even worse to be faced with a huge bill afterwards - especially medical bills, the best ever reason to take out travel insurance.

Medicare does not cover you while overseas although Australia does have reciprocal health agreements with a number of countries including the UK, Ireland and Finland.

A major insurer cites a number of examples of costs including a 42-year-old man who slipped on a path in Mexico and had medical bills close on \$150,000. In another case, a 69-year-old with angina, who when hospitalised in the US, ran up a bill of more than \$700,000. In U.S. or Australian dollars, that's a lot of financial pain.



There are a wide variety of travel insurance products available to cover just about any situation but there are also just as many exclusions and conditions attached so it pays to check the details very carefully. In particular, look closely at pre-existing medical conditions and medical and hospital limits – it's wise to select 'unlimited sum insured' if travelling to high risk or high cost countries.

Choose your cover wisely... and have a great holiday! 🍷

Car rental – traps for the unwary.

Heading off on holidays in a rental car this summer?

Whichever way you choose to book your rental car, online, by phone or in person, take care. The advertised cost of the vehicle may bear little relation to what you end up paying. Cheap prices are quoted in advertisements, but you shouldn't take them at face value.

The real price depends on how long you rent the vehicle, its size, its age and, above all, its insurance cover. Often, the lowest price applies only if you rent the smallest model in the fleet for seven days or more.

Insurance also affects price. A typical deal, \$39 a day for an economy-class vehicle is transformed when insurance is added. The renter may include "standard cover" insurance in the rental fee. This, it turns out, means that the renter must foot the bill for the first \$2750 of any damage incurred in a collision. Yes, you can have a "premium protection" policy for about \$22 a day and this will reduce your liability to a couple of hundred dollars but by the time the extra cost have been added to the price, your \$39-a-day rental car ends up costing you more than \$60 a day.

The only way to know precisely what is included or excluded is to read the terms and conditions thoroughly before you sign. Yes, the fine print would cure an insomniac but you'd be wise to plough through it.

The Australian Consumers Association thinks standardization of car rental contracts is the answer and is pressing for Australia-wide regulation. Currently, the only state to specifically regulate rental car operators is Tasmania so while we wait for the mainland to catch up with the apple isle, here are a few questions to ask your friendly car rental company:

- Ask the age and model of the car and whether unlimited kilometres are included. If not, what's the extra charge per kilometre?
- Ask whether you must pay a bond on the vehicle and, if it be charged to your credit card, when will you get a refund?
- What must you pay if you have an accident? Will the amount increase if it's a single-vehicle accident?
- Ask if it's possible to lower the excess and how much per day that will cost.

Obtain a copy of the contract before you take the vehicle and inspect the car thoroughly before driving it away. Insist that any scratches or dents on the body be noted before you sign to establish the damage was done before your hire. Take photos.

Remember, damage during hire does not have to be your fault. So where possible, avoid shopping centre car parks, if someone backs into your parked car, you will have to pay. 🍷

Brokers essential, says Swiss Re study

And who is Swiss Re you may ask.

Just possibly the world's leading re-insurer, acknowledged experts in the field of risk and capital management and employers of approximately 8000 people in 70 offices in more than 30 countries.

Impressed? Well, we are because their research confirms what we've known all along; having a broker guide you through the insurance minefield is good business sense.

Professional advice from insurance brokers has become essential for insurance-buyers around the world, according to the authoritative Sigma Report produced by Swiss Reinsurance.

Swiss Re's acknowledgement of the increasingly important role of insurance brokers is regarded in the global insurance industry as very significant. The latest Sigma study, entitled "Commercial insurance and reinsurance broking" says corporations are facing a "rapidly shifting risk landscape" with new types of risk brought about by changes in the economic and legal environment.

A senior Swiss Re economist said premium increases and a lack of market capacity drove more consumers to use brokers in a bid to find affordable insurance solutions. He also said brokers had also developed additional services in the past few years to add benefits to consumers.

Australia's National Insurance Brokers Association (NIBA) Chief

Executive, Noel Pettersen, who represents Asia-Pacific brokers on the World Federation of Insurance Intermediaries, emphasised the expanding role of insurance brokers and the need for their expertise in the world's rapidly changing risk markets.

"A key message is that as the international insurance market contracts in number it is becoming increasingly important for consumers to have access to the kind of specialised advice a broker can provide," he said.

Mr Pettersen said businesses should look to brokers as an essential part of their risk management. "Today, all licensed insurance brokers have complied with the requirements of the Financial Services Reform Act and have insurance expertise that is second to none," he said.

Businesses need not be daunted by the prospect of researching wordy policies and complex legal issues. Brokers are trained to erase those hassles for their clients. 🐱



Be sure ...before you insure!...ask your Council of Queensland Insurance Broker about...

COMMERCIAL AND RETAIL INSURANCE

- Business Property
- Business Interruption and Loss of Rent
- Liability, Money, Glass Breakage
- Burglary
- Machinery Breakdown
- Computer
- Goods in Transit
- Contractors Risk
- Motor
- Tax Probe

LIABILITY

- Public Liability
- Products Liability
- Professional Indemnity
- Directors and Officers
- Employment Practices Liability

PRIVATE AND DOMESTIC INSURANCE

- Home and Contents
- Car, Caravan, Boat and Trailer
- Travel

INCOME PROTECTION INSURANCE

- Long Term Disability
- Sickness and Accident

LIFE, SUPERANNUATION, PARTNERSHIP

- Mortgage Protection
- Key Man
- Term Life
- Superannuation



The CQIB represents over 50 Queensland firms employing nearly 400 staff and placing \$400,000,000 in annual premiums. The CQIB charter is to maintain the level of professionalism of its members by the sharing of knowledge, information and ideas.

For more information visit www.cqib.org.au

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wisewords ...on travel

Travel is only glamorous in retrospect.

Paul Theroux

The saying "Getting there is half the fun" became obsolete with the advent of commercial airlines.

Henry Tillman

When you travel, remember that a foreign country is not designed to make you comfortable. It is designed to make its own people comfortable.

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