Action Insurance Brokers Pty Limited
Suite 301 Building A, Sky City, 20 Lexington Drive, Bella Vista NSW 2153
Phone: 02 8935 1500
Fax: 02 8935 1501
ABN 39 080 844 426

Client Advice – Your Responsibilities as the Policy Holder

Responsibilities

You have entrusted Action Insurance Brokers to handle your insurances. We guarantee to do everything needed to ensure you are adequately insured. Our responsibilities to you are detailed in our Financial Services Guide and the Important Information we include in every Tax Invoice document.

Just as we have responsibilities as your Insurance Broker, you too have responsibilities as the policy holder.

These include but are not limited to:

Payment of the premium

If we have arranged a new policy or added cover to an existing policy for you, you must pay the premium in full, within 14 days of receiving the invoice. 14 days is the maximum credit terms we provide. There is no such thing as "free insurance". Once cover is arranged, you are bound to pay the premium. We only issue a tax invoice for a new policy or additional cover to an existing policy, if you have instructed us to do so. We never arrange cover and issue a tax invoice for a new policy or added cover to an existing policy for you, unless you have given us clear instruction to do so. Failure to pay your premium amounts to a breach of credit terms and a breach of your insurance policy conditions. The Insurance Company can pursue you for the payment, including using Collection Agencies and the Courts.

Keep us informed

Whilst we pride ourselves on having extensive knowledge about insurance and the risks most clients face, we are not "mind readers". We can only give advice on risks and arrange insurance for it, if you have first told us about it. If you purchase new vehicles, equipment, stock, contents, properties or businesses, you must tell us about it before we can provide a quote or arrange cover.

Likewise, if your circumstances change, you must inform us. This includes changes such as new owners, new partners, change of address, change in driving records, change of occupation etc. If in doubt, just contact us – we can quickly tell you if the change will affect your insurance. Failure to tell us, may mean your insurance policy will not cover you.

As your insurance broker, we are quoting on, or arranging, or renewing or changing this insurance policy, based on your instructions or based on information you have previously provided to us by way of face to face meetings, verbal or written communications. We endeavour at all times to ensure the policy we recommend or provide, meets your needs, to the extent that you have informed us of those needs. We cannot be held liable, or responsible for deficiencies in this insurance policy where you have failed to provide us with information that affects your insurance needs or this insurance policy. Whenever you have asked us to reduce covers, we have sought and obtained from you written advice to do this. We do not reduce covers without your written instruction.

Contact us only during business hours.

Our Financial Services Guide clearly states that we will only accept any instruction to arrange cover for new risks or add cover to existing policies, if you contact us during business hours. Business hours are 8am to 4pm for our Bella Vista office, 8.45am to 5pm all other offices, Monday to Friday (excluding public holidays). Please do not send emails or faxes outside these hours as no action will be taken on them and hence no cover will be arranged. Don't assume because you have sent a fax or email that cover has been arranged. No cover is arranged until such time as we confirm it to you in writing.

Keep your records separate from your home or business.

All businesses should keep a copy of their records away from their premises. If you suffer a major fire and all your records are destroyed, how will you prove the value of your goods / stock / contents / equipment. Back up your computer daily if you enter records daily, weekly if you only ever enter records once a week. Take a copy away from the business.

Keep photos of any unusual items, items that are difficult to prove ownership of or the value of. You can email photos to Action where we will keep a permanent record for you.

Prove your loss

If you suffer a loss, the onus of proof is on you, not the insurance company. Their obligation is only to pay you the fair amount you are owed for losses you can prove. Don't expect the insurer to prove your loss for you – they won't do this.

Adequacy of Covers and Sums Insured:

As insurance brokers, we are not valuers, accountants or book keepers. We do not provide advice as to the amount of sum insured you choose; nor do we provide advice as to the adequacy of any sum insured you have chosen, as it relates to the possible risk you may have in the future. You remain, at all times, including at the inception of the policy, during the course of the policy year, and on renewal of the policy, solely and fully responsible to ensure that the levels of sum insured you choose are adequate for your needs.

Under-insurance:

Under-insurance is the situation that arises when your sum insured is less than the total assessed replacement or rebuilding cost of property that was damaged or lost. Underinsurance affects buildings, contents, stock, plant and equipment, tools of trade and loss of gross profit, which occurs as a result of a fire, storm or the like. Most business and home policies will penalise you by reducing your claims settlement if you have taken out insufficient sum insured.

What happens if you under-insure:

If you are under-insured, you might be in for an unpleasant surprise if you ever need to make a claim. Even in situations of partial claim or loss, it is likely that you will be deemed to be carrying a percentage of risk and you will not receive a complete pay out. Business and home policies have one of the highest incidences of under-insurance and it is estimated that over 70% of policies have some form of under insurance.

To show the impact of under-insurance, we include the following example based on a policy with 80% co-insurance:

Adjusted Loss = (Declared / Value) x Loss

If insured for $500,000 and the value at risk was $1,000,000 with a loss of $200,000, the claim would be adjusted as follows.

Adjusted Loss = ($500,000 / $800,000) x $200,000

Adjusted Loss = $125,000 - In this example, the uninsured loss would result in a $75,000 lower payout.

Under-Insurance and Business Interruption Insurance:

Under-insurance must also be considered when determining a sum insured for loss of profits / business interruption insurance. Remember, accounting gross profit is not the same as insurable gross profit just as the replacement value of your assets is completely different from the written down book value. To ensure you get it right, you should consult your accountant who can advise you on how much gross profit cover you need and also assist with calculating extra costs you may incur during a claim, such as cost to relocate temporarily, costs to advise your customers of your change in address, hiring of temporary replacement machinery, additional rent or staffing costs etc.

Business Continuity Planning:

Businesses that recover quickly from a loss or claim, are those that plan in advance. This involves not only purchasing the right insurance, but also developing and maintaining an adequate recovery plan.

Minimise the risk of damage in advance of an emergency by:

* Training employees in fire safety, particularly those responsible for storage areas, housekeeping, maintenance and operations where open flames or flammable substances are used.
* Testing and if necessary modernising the electrical system since faulty wiring causes a large percentage of non-residential fires.
* Ensuring computer monitors and television screens are not left on stand by mode when not in use. It is estimated that there are around 700 fires a year from this source.
* Stopping the overloading of power boards and where possible eliminating them altogether. Where they are required purchase good quality ones and have them tested on a regular basis.
* Ban smoking within all buildings (in line with occupation and health regulations)
* Carefully control any hot works – grinding, welding, cutting etc.
* Situating your business in a fire-resistant building - a structure made of non-combustible materials with firewalls that create barriers to the spread of fires - and in a building with a fire alarm system connected to the local fire department. It is also a good idea to have a sprinkler system to douse fires.
* Limiting storm-related damage by making sure the building conforms to damage-resistant building codes.

Develop a business continuity plan by:

* Keeping up-to-date triplicate records of both electronic and written records. In some jurisdictions, if companies fail to maintain and safeguard accurate business records, the company may still be held liable.
* Identifying the critical business activities and the resources needed to support them in order to maintain customer service while your business is closed for repairs.
* Planning for the worst possible scenario. Do research before a disaster strikes by finding alternative facilities, equipment and supplies, and locating qualified contractors to repair your facility.

* Setting up an emergency response plan and training employees how to execute it.
* Considering the resources you may need to activate during an emergency such as back-up sources of power and communications systems. Also, stockpiling the supplies you may need such as first-aid kits, and flashlights.
* Compiling a list of important phone numbers (including cell phone numbers) and addresses, including your Action Insurance Brokers office, local and state emergency management agencies, major clients, contractors, suppliers, realtors, financial institutions. The list should also include employees and company officials. Keep copies off the premises in case the disaster is widespread. Ideally a copy should be kept off site.
* Deciding on a communications strategy to prevent loss of your customers. Clients must know how to contact your company at its new location. Among the possibilities to explore, depending on the circumstances, are posting notices outside the original premises; contacting clients by phone, e-mail or regular mail; placing a notice or advertisement in local newspapers; and asking friends and acquaintances in the local business community to help disseminate the information.
* Review and exercise your plan on a regular basis and communicate changes to key employees.

Use your Business Continuity Plan including the risk assessment, business impact analysis and business continuity plan to set your indemnity period, level of wages cover, and additional increase cost of working. It also assists in determining what extensions to the standard cover are required. Your Action Insurance Brokers adviser should be able to assist you here.

Workers Compensation Insurance:

Workers Compensation insurance, as defined by the various State and Territory legislations, is designed to cover your employees. Where you have employees, you must by law, take out a Workers Compensation Insurance policy.

Workers Compensation policies are normally separate insurance policies that are not covered under other policies such as this one.

However, if this insurance is to cover Home Building &/or Contents or Residential Strata Insurance it might include cover for Domestic Workers Compensation for your domestic employees such as cleaners, gardeners and the like. If it does, this will be specifically shown in this document along with Building / Contents & other sums insured

Motor Vehicle Insurance:

Where we arrange a motor vehicle insurance new policy, renewal or endorsement, whether it be a single vehicle or a fleet of vehicles, you must ensure you read the policy wording and attaching schedule and understand the restrictions on cover. Some policies restrict the type or age of drivers and where this is so, and you allow your vehicle to be driven by such a person, you may have no cover in the event of a claim.

Motor vehicle insurance policies can cover either Agreed Value or Market Value cover. In the event your policy is a market value cover and the vehicle is deemed a total loss as a result of an accident or theft, the payment (amount) you will receive is determined by your insurance company, using industry guides, and will represent the market value of the vehicle immediately prior to the accident or theft, taking into account the condition of the vehicle.

Public & Products Liability Insurance and how this affects Contracts you may have signed:

We wish to bring your attention to the importance and unusual aspects of contractual liability agreements entered into by some businesses.

Many contracts routinely entered into by businesses in the ordinary course of business, contain provisions that impose liabilities or penalties of various types on the signatories. Such liabilities can be extremely onerous.

Contracts of this kind may prove to have hidden penalties. Some companies sign the contracts under the impression that their current insurance policies will protect them in the event of the provision being invoked against them. However, most insurance contracts very carefully avoid extending the scope of cover beyond that specifically prescribed in the original policy contract. A company may therefore find itself facing an extremely heavy and unanticipated liability claim bereft of any insurance protection.

Examples of imposed liabilities in common use are those embodied in the standard agreements used for leases and by the construction and fire protection industries. These agreements render the purchase and/or owner and/or lessee responsible for the costs of injuries to people or damage to property caused by the activities of other parties or the malfunction of equipment.

It is essential then, that when a business' legal adviser believes the contract a business is contemplating signing may have insurance implications, the contract be given to us for analysis on this score. Under certain circumstances, your insurance can be endorsed to provide cover.

Claims Made - v - Occurrence policy wordings for Professional Indemnity Insurance and Management Liability Insurance policies

Professional Indemnity Insurance and Management Liability Insurance policies are different to normal Public/Products Liability Insurance policies.

Under most normal Public/Products Liability Insurance policies, you can lodge a claim on a previous policy up to 7 years prior - even if you only become aware of the claim today. (Always of course on the proviso that the property damage or personal injury occurred when the previous policy was in force).

This is NOT the case with Professional Indemnity Insurance and Management Liability Insurance policies however. Cover under these policies is on a "claims made" basis. This means you must always keep a current policy if you are ever to lodge a claim. You can't go back and lodge a claim under your lapsed policy for an event that occurred for example, last year, that you only became aware of this year, once your policy has expired.

Even if the event occurred, last year, it would be claimed under this year's policy as this is the year the claim was first "made" upon you. Hence, it is important to keep Professional Indemnity Insurance and Management Liability Insurance policies renewed every year.

If you are aware of any incident that could potentially become a claim, you must inform the insurer prior to the policy expiring - failure to do so on an incident you were aware of, means you will never be able to lodge a claim for it, even though you renewed the policy again.

If you have retired from work and are no longer taking on new work, you should renew the policies under a "run-off basis" for at least 3 years and perhaps longer. Whilst run-off policies still require a premium to be paid, this may be less expensive than your previous year's cost, & usually become cheaper for each subsequent year you choose to renew. The valuable benefit to you is that your policy will continue to provide necessary protection against new notifications of claims where the event occurred whilst you were still working.