

Eyes Open

Where to in 2011?

A comment from GSA's Chairman, Dr John Hewson

The old Chinese saying "May we live in interesting times" was uttered with 2011 specifically in mind! 2011 will probably be one of the most "interesting", and certainly the most challenging, years in our memories. We are very much in uncharted waters, both economically and politically. Our economy will turn out to be much weaker than we have been led to believe, despite our China-driven resources boom, particularly as the US, Europe and Japan struggle to sustain a recovery, with some other financial tremors to come.

The non-resource sectors of our "dual economy", retail, wholesale, manufacturing, construction, tourism and many services, are struggling under the weight of rising interest rates and tight bank credit, as governments seek to restrain spending and rein in deficits. Although almost all economists presently predict the Reserve Bank to raise interest rates through the year, I suspect the whole debate will be turned on its head in the next 12-18 months, with pressure building for interest rates to be cut, as the awareness of our weak domestic economy spreads. Governments will also be under increasing pressure not to cut back on their expenditure as quickly as promised, and to be less strident in their resistance to using debt to finance essential infrastructure, and in their desire to return budgets to surplus.

Perhaps of greatest concern is the vulnerability of our fragile economy to any unexpected shocks, as is being recognised presently with the mounting significance of the Queensland floods.

Politically, we will need to adjust to the realities of a hung Parliament, federally, and the return of conservative governments in Victoria and NSW and, in time, Queensland. The Gillard Government will need to get used to regularly losing votes on the floor of the Parliament-in the past this had been a rarity. They will need to negotiate almost every clause of every Bill with the Independents and the Greens. Personally, Gillard will need to watch her back. If she continues to falter in the polls, she could be replaced.



Abbott will sustain his negativity, relentlessly challenging and attacking the Government. However, Abbott may surprise by opening up a few key issues on the Government, with a positive message. He will need to, to hope to win the next election. On this, we are just a heart attack, or some ministerial indiscretion, away from another Federal poll. With a difficult Parliament, we could see another federal election as early as later this year.

But, ironically, having highlighted all the likely uncertainty and confusion, Gillard actually has a unique opportunity to make real progress with reform in areas such as education and health, in putting a price on carbon, etc, if she is prepared to push the pace and lead. I believe this is her only hope of surviving!

In NSW, we are in for a most difficult time, if the new O'Farrell Government really does accept and respond to the reality of our State's decaying infrastructure and declining services. Unfortunately, given the parlous state of the Keneally Government, and the "It's Time" factor, we are unlikely to hear much of the detail from O'Farrell during the election campaign. We must wait and see! So, hang on for the ride, but I can't promise that much of it will be enjoyable!

www.gsaib.com.au

ADPIA GOLF DAY 2011

Article by Nicole Mellick, GSA BDM



Sara Quinn, ADPIA Secretariat, & GSA's Nicole Mellick

The lead up to the day was hindered by rain with one of the wettest Decembers on record which scared off a few golfers, but we managed to snag a beautiful sunny afternoon for our first combined ADPIA Ladies & Gents Golf Day at Manly Golf Club on December 2nd.

The day consisted of a ladies-only Golf Clinic for those women in the property industry who didn't consider themselves to be seasoned golfers but who wanted to find their feet on the golf course.

The men were sent straight to work with a

serious putting competition before playing 9 holes.

PGA Board Member, pro golfer, and good friend of GSA, Phil Baird, chaperoned the ladies around the course, providing tips on driving, chipping, putting and playing in general!

Our Team at GSA are actively involved in the Australian Direct Property & Investment Association. We provide broking services to a number of ADPIA's members and our CEO Paul Hines sits on the Board whilst Nicole Mellick & Ryan Neary assist on the events & membership committees.

Some of the lovely ladies...



GSA Celebrates 20 Years In Style...



On December 17th 2010, GSA held the industry party of the year for 200 of our most enthusiastic underwriters to thank them for their support over the last 20 years.

The day started out mysteriously, with attendees being asked only to meet at Circular Quay...they had no idea where they would end up! They were whisked off on a cruise around the harbour before being dropped off at lovely Watson's Bay...

From there everyone made their way to the *GSA Country Club* at the Armoury for an afternoon of Pimm's & lemonade, strawberries & cream, and lots of fun.

Legendary rock band Dragon made a surprise appearance (much to everyone's delight!) and our CEO Paul Hines and Chairman Dr John Hewson spoke about GSA's journey.

The fancy dress was very fancy indeed and when it was time to set sail back to the city no-one wanted to leave.

Here's to another 20 years!



Brilliant Result for the GSA Claims Team

Article by Jon Stayte, Claims Executive, Professional Risks



Jon Stayte (L) with his colleagues Angela Speranza & Gordon Tipene

As an example, we recently had a situation where a client notified a claim under their Management Liability policy in connection with an employment related dispute. Indemnity was sought from insurers for the amount awarded to the employee for benefits she claimed she was entitled to and the legal costs incurred.

Claims handling is often where a broker can really show their worth. This is especially true where insurers seek to reject a claim on the grounds of it being excluded under the policy.

The policy excluded "employment related compensation". Whilst accepting the Award itself was not covered it was believed indemnity should still apply in respect of their legal costs of \$100,000. Insurers rejected this on the grounds that as the employee related compensation was excluded so would any associated costs. The client's previous broker was unable to get insurers to move from their position.

When GSA won the account we reviewed this claim and noted the definition of loss in the policy wording separated the compensation exclusion from the cover for legal costs and as such they should have been looked at in isolation and therefore indemnity for this element should apply. We highlighted that as the wording was sufficiently ambiguous that it should be construed in the insured's favour.

We were therefore pleased that the insurers agreed with our submission and confirmed that the insured's reasonable costs in this connection would now be covered.

So whilst accepting that insurers can make mistakes, it's sometimes only a broker with the right knowledge and expertise who can highlight it. We are proud of achieving this result for our client.

Who's New to GSA?

Timothy Kusto

*Account Executive,
Workers' Compensation*

Tim joins us from Allianz where he was a Case Manager. Before that he was in the fitness industry so let's hope he can work his magic & get us all into shape!!



The Stig

*Article by The Stig, GSA's
Resident Loss Control Advisor*

LOSS CONTROL ALERT NO. 275:

Visitor Pass Systems

How security controls have changed in the last decade! Nearly every bank now has security guards and most major office buildings implement staff identification, movement logging, electronic security access controls, bag searching, CCTV surveillance and electronic recording.

In turn, most commercial and industrial plants have introduced formal Visitor Pass Systems that require visitors' signatures to indicate their understanding of the companies' Safety Induction (outlining Health and Safety, Emergency Procedures, Smoking Restrictions and Confidentiality) with each pass being numbered and dated.

Visitor passes are normally held in transparent plastic wallets, attached to lanyards and worn around the neck (passes solely fitted with a clip are more likely to be lost). If you would like to see a sample visitor pass, please email your request to The Stig at: TheStig@gsaib.com.au

KidsXpress Takes The (Cup) Cake!

Proudly supported by Planet Cake, the inaugural Cupcake Challenge was held on December 7th at the Entertainment Quarter in Moore Park to raise valuable funds for KidsXpress. Thousands of CupCakes were decorated on the day under MasterChef-style conditions to produce a winning team.

Planet Cake founder, Paris Cutlers, decided she wanted to partner with KidXpress as their chosen charity after being introduced to CEO Margo Ward. Paris runs Planet Cake in Balmain and is famous for creating cakes for all occasions and all types of customers, including a number of celebrities. Planet Cake also operates the largest cake decorating school in Australia!

KidsXpress is always looking for fun ways to host fund raising events. This seemed like the perfect opportunity to have a team building-style fundraising event for Corpo-

rate Sponsors. They were able to experience an afternoon at KidsXpress and have a lot of fun learning to decorate cupcakes. There was some healthy competition amongst colleagues and other corporates and the teams were headed up by celebrities including Mario Fenech, Roosters player Shaun Kenny-Dowall & country singer Amber Lawrence to name a few.

We would like to thank those involved in the day who all made it such a success (we raised \$20,000 for KidsXpress!) - the team at Planet Cake, Drysdale Communications and Louise Telford. Not forgetting, of course, the dynamic teams from Vodafone, Johnson & Johnson, Actevate and Ernst & Young.

We look forward to running the event again in 2011, if you are interested in being part of this year's challenge, please contact Margo Ward: margo.ward@kidsxpress.org.au



Nicole Mellick, Shaun Kenny-Dowall & Margo Ward

Workers' Compensation: Poor Gov't Scheme Results Announced

*Article by Tony Byrnes, Product Manager,
Workers' Compensation*

WorkCover recently announced a significant change in the Scheme valuation (that is, expected future claims liabilities against expected future premiums & assets) from a deficit of \$367 Million to a larger deficit of \$1.5 Billion, confirming the trend that started in early 2009 as investment income shrank with the GFC.

This decline in the value of the Scheme puts pressure on WorkCover to increase premium rates this coming June.

Managing this risk should be a priority for employers from early 2011.

The key elements in this process are: implementing strategies to finalise current claims; facilitating a return to work for any injured staff members; conducting pre-renewal estimate reviews; and liaising with your broker regarding how possible rate changes may affect your business.

Contact Tony or
any of our
Workers'
Compensation
team on
02 8274 8100.



What happens if I under-insure??

In Australia, under many policies of insurance, if you under-insure you are penalised when it comes to a claim. Even in partial losses you may be deemed to be carrying some of the risk yourself and the Insurer will ask you to bear a portion of the claim yourself.

It is estimated that over 70% of Business Interruption (BI) policies have some form of 'under-insurance' and the following example shows the impact of this:

If the sum insured for gross profit was \$500,000 when the actual insurable gross profit of the business was \$1,000,000 on a policy with 80% co-insurance, and the loss suffered was \$200,000 it would be adjusted as follows:

<u>Declared Value</u> Value at risk x Co-insurance	x Loss
<u>500,000</u> 1,000,000 x 80%	x 200,000
	= \$125,000

This means that the uninsured loss would be \$75,000.

When you consider that the premium saving on \$500,000 was somewhere in the region of only \$1,250, it shows the complete folly of risking under-insurance.

Other forms of under-insuring are not having a sufficient Indemnity Period, Wages Cover, Claim Preparation Fees or Additional Increased Costs of Working cover.

The LMI Group website provides a detailed explanation of BI Insurance: www.lmigroup.com

The website also features a useful tool, the LMI BICalculator, to calculate the Business Interruption (BI) cover required for your business.

LMI Group also provides a specialised service to review all the elements of BI cover required for complex financial structures.



Article by Revell Weightman (pictured), LMI Group

CONGRATULATIONS TO JASON & KADIA



On Saturday, 23rd October 2010 our very own Jason Pitton (GSA Professional Risks Division) became a first-time dad!

Orlando Valentino Pitton arrived (several weeks early!) at 3.20pm weighing 2.14kg and measuring 45cm. Mum & baby are doing well. Congratulations Jason!



GSA Trade Credit Offers Debt Finance to Small Businesses

Article by Roland Pepin, Manager - Trade Credit Division

It's not always easy to secure additional finance from the bank when you need it but invoice discounting is another option which doesn't require bricks and mortar security.

An important aspect of invoice discounting is that it is not a loan. The invoice discounter will purchase unpaid sales invoices from the business at a discounted rate (between 75% and 80% of the invoice value).

On receipt of full invoice payment, the discounter will remit the retained portion to the business after taking its accrued interest charge.

With this facility, the business does not disturb any funding arrangements already in place. In fact, the discounting facility helps because it provides the cash required to meet the business' obligations and allows it to grow.

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