



GSA
Eye-opening insurance.

JAN 2009

Eyes Open

Australia and the World Economic Crisis

By Dr John Hewson, Chairman GSA

2009 promises to be a particularly tough year for business and for our economy. Just how bad it becomes will depend on how well it is managed by the Rudd Government and our policy authorities, in a world economy that is rapidly heading into the longest and deepest recession since the Great Depression.

Economic and financial conditions are not as bad yet here in Australia as they are in the US, UK, Europe and Japan, but our economy is beginning to show signs of really struggling with the double whammy of the impact of this global slowdown and an interest rate structure that is still way out of line.

In recent years, our Reserve Bank pushed our official interest rates up far too high, and held them there far too long, in the naïve belief that they could control inflation that was largely beyond our control, being predominately due to international factors, like oil, other commodity and food prices and China's export of inflation. Interest rates were already biting into much of our economic activity before the effects of the global financial crisis and economic slowdown began to flow through, although their full effect was being somewhat hidden

by the resources boom.

Now that the resources boom is over, and the RBA has been tardy in admitting its mistakes and lowering official rates, and our banks have not fully passed even these cuts through to all business and consumer loans, our economy is diving. This situation is being seriously compounded by our banks which are also rationing credit.

Our official interest rate is still 4.25%, while near zero in the US and Japan, and the Bank of England has just lowered its rate to the lowest level in its 360 odd year history!

The Rudd Government has acted quickly in shoring up our banks and with a range of stimulatory measures, including the \$10.4 billion pre Christmas package targeting monies to lower income earners who would hopefully spend it. However, it's unclear whether this will do much to offset the economic forces underway, especially if these monies are partly saved or used to reduce debt.

Expect interest rates to be cut rapidly through the 1st half of this year, and the Government's budget to be pushed dramatically into deficit. But, will this be



enough? Will the massive fiscal stimulus that is underway worldwide be enough? The jury is out!

The massive New Deal of the Roosevelt Government failed to lift the US economy out of the Great Depression. It took WWII to do that. Also, a succession of fiscal packages (and almost as many Prime Ministers) in Japan over the last 15 years or so (almost 1 per year), failed to lift that economy out of a series of rolling recessions and deflation.

Watch this space! The world economic and financial situation is still really in uncharted waters. And Governments have it all to do!

A better way to serve you:



GSA TRADE CREDIT
Eye-opening insurance.



GSA WORKERS COMPENSATION
Eye-opening insurance.



GSA GENERAL INSURANCE
Eye-opening insurance.



GSA PROFESSIONAL RISKS
Eye-opening insurance.

www.gsaib.com.au

Inside: THE INSURANCE CLOCK - MELBOURNE WORK INJURY - TEAM SPIRIT - GSA ADPIA GOLF DAY
SES LEVY STATEMENT - SUPPLY CLUSTERS CONFERENCE - RTW QUARTERLY SEMINAR

Workers Compensation News

Melbourne Company Fined \$360,000 following Work Injury.

The fine arose from an incident where a worker had her hair caught in an unguarded machine. Not only has a substantial fine been incurred, there will be an increase in the company's workers compensation premiums. Further, it is almost certain that the culture of the organisation will have been damaged through this incident.

Many employers will look at this tragic incident as unfortunate, unlucky and unlikely to happen to them.

However when you look into the reasoning for the fine and consider that the maximum fine for a company breaching OH&S Legislation in Victoria is over \$940,000 (in NSW this figure starts at \$500,000), all employers should review their own OH&S Systems.

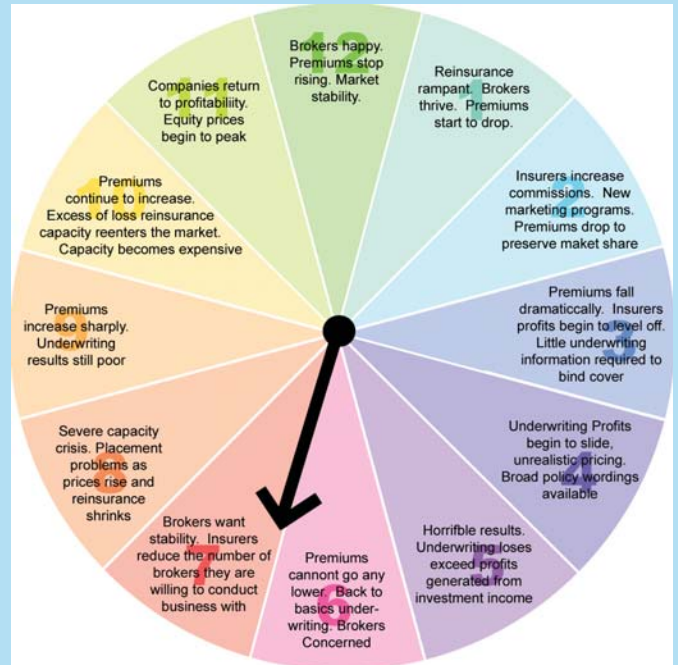
The Victorian County Court found that the employer failed to provide and maintain plant, training, instruction, supervision and information. These failures by the employer have been established by the Court as contributing to the accident.

Put simply, the Court has said to the employer, "you could have guarded the machine in question, given the worker details of how the machine works, shown the worker how to use the machine and supervised the worker while she used the machine. These actions would have reduced the risk of the incident. That is, consideration should have been given to the risks associated with the machine and the person operating it".

The lesson for employers is- **you need to be able to demonstrate what you have done to reduce the risk of injury in your workplace.** You can do this through simple steps such as:

- Regular Risk Assessments
- Competency Based training
- Induction for new employees
- OH&S Training for Supervisors
- Reporting and reviewing all safety incidents

The Insurance Clock (Pricing Cycle)



Market leaders, QBE & CGU have confirmed their intention to increase rates by at least 10%. Insurance Capacity/Market continuing to fall, particularly for difficult risks such as buildings constructed of EPS (Expanded Polystyrene).

Not surprisingly pricing and coverage for Professional Risks products (eg: D&O, P.I.) for business exposed to the financial markets are being hit heavily.

We expect further deterioration in the insurance market over the ensuing 12 months. We will keep you updated on developments.

GSA Welcomes some New Faces to the Team

GSA is pleased to introduce new stars into the fold.

Our reshaped finance team now welcomes Sandra Burke as Finance Manager and Helen Li as Financial Assistant (right).

Bringing her vast experience to GSA is Carolyn Roche (far right) who joins our General Division as an Account Executive.



GSA & ADPIA Golf Day

In September 2008 GSA invited 12 Australian Direct Property Investment Association (ADPIA) members to Manly Golf Club to participate in the inaugural GSA ADPIA Golf Day.

It was a beautiful spring day and Manly Golf Course was in great condition for the Two Ball Ambrose competition.



After a good game and much anticipation, results were registered and the outcome was as follows:

- 1st Place - John Hewson (GSA Chairman) & Linden Toll (Landmark White Invest)
- 2nd Place - Paul Hines (GSA CEO) & Michael Blake (Cromwell)
- 3rd Place - Peter Apolakiatis (GSA Business Development Manager) & Simon Hayes (Pelorus Property Group Limited)

Additional Results:

- Nearest to the Pin went to Trevan Robinson (Austcorp)
- Arguably the most prestigious award, known as the L.O.F.T Award, was a dead-heat between Andrew Meakin (Austcorp) & Allan Retford (Alba Pty Ltd)!

A very big thank you must be mentioned to Linden Toll for getting the ADPIA members along to this event.



General News Flash - SES Levy Statement



The NSW State Government recently passed legislation imposing a new tax on insurance policies. The SES Levy will be implemented effective 1 July, 2009 to fund the State Emergency Service (SES) and it is estimated that it will cost general insurance policy holders an additional \$10 per policy. However, the cost will be higher once GST and Stamp Duty are imposed on top of the Fire Service Levy and SES Levy.

Insurers are required to disclose the levy separately after the NSW State Government ruled out including the SES Levy in the Fire Service Levy. It is believed that this will cost the Insurance Industry upwards of \$20 million to change their IT systems. This cost will more than likely be passed onto consumers in the form of increased premiums.

In a difficult economic climate, many small businesses and families are facing financial hardship. Under-insurance is prevalent and the imposition of this levy will leave consumers making decisions to either not insure or reduce their current levels of insurance. The imposition of this levy now provides more of a disincentive to insure appropriately.

Valuers On Notice

There has been a recent influx of 'please explain' letters received by members of the valuation profession. Questioned valuations usually were prepared within the period 2004 – 2007, relied upon for mortgage purposes and involve residential property.

The context of allegations contained in these letters involve notice that the valuation of a property (or properties) was relied upon by the alleging party for mortgage security purposes; that the alleging party advanced funds to the tune of \$x amount on the property; for reasons, usually borrower default, the property was now (or was going to be placed) in the hands of an appointed receiver; and the market value

(the property may not even yet be sold) of the asset is **now** valued at \$y amount, such y amount being significantly **less** than when the valuation was initially prepared and relied upon. As such, the variance, is the financial loss which the alleging party is claiming to have suffered, or may suffer when the asset is sold.

We are therefore seeing first hand some of the effects emanating from the global economic crisis and GSA's Policies have been providing much needed insurance protection for our clients.

For further information please visit www.gsaib.com.au/industry-news



The Sydney City Return to Work Forum Quarterly Seminar

The Sydney City RTW Forum has continued to hold their quarterly seminars in 2008. These Seminars are run in conjunction with GSA Workers Compensation, TurksLegal and Actevate Rehabilitation.

Some of the topics covered during the course in 2008 were;

- Workplace Laws and Protection of Injured Workers
- Return to Work - Employers' Rights under the Workers Compensation Legislation
- Managing Workers Compensation in a large organisation
- Managing Stress Claims
- Vocational Redeployment



Each seminar provides practical advice to RTW Co-ordinators in the area of workplace rehabilitation, legal obligations under the legislation and working with your WorkCover Agent. It also gives members access to a team of specialists in these areas that they can call on when they need advice.

These seminars are continuing to attract large numbers of attendees each quarter as we present topics that are faced by RTW Coordinators every day in their role.

Our next seminar will be held on March 12 2009; information will be distributed to all members of the forum, with more details including topics and venue information.

If you would like to be part of this focus group and for further Calendar dates please contact Nicole Mellick on (02) 8274 8124 or email nicolem@gsaib.com.au to register your details.

GSA Attends the Annual Supply Clusters Conference

In September 2008 GSA attended the 2 day Annual Supply Clusters Conference at the Power House Museum in Sydney.



Supply Clusters brings together over 150 Australian companies to aggregate their common purchases for goods and services. Members share knowledge freely through other members to create ideas and process innovation, saving money and time.

Tony Byrnes, GSA Workers Compensation Manager, and Nicole Mellick, GSA Business Development Manager, (left), attended this event to highlight the benefit of conducting our Premium Saver Audit on their workers compensation policies. We have worked with a number of clients in the past couple of years and saved hundreds of thousands of dollars for clients.

A number of new contacts were established and we look forward to working with these companies to identify savings.

Contact GSA

SYDNEY
'The Old Presbytery'
137 Harrington St
Sydney NSW 2000

PO Box 101
Grosvenor Place NSW 1220

Tel: 02 8274 8100
Fax: 02 9252 5882

General Security Australia Insurance Brokers Pty Ltd AFSL: 238477 ABN 34 084 437 196

Disclaimer: The articles contained in this newsletter do not constitute insurance advice or any recommendation on the part of General Security Australia Insurance Brokers Pty Ltd.



Need to update
your contact details?
Call 02 8274 8100