

# INSURANCE GUIDE

Prepared by

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Aughtersons Insurance Brokers Pty Ltd

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# INTRODUCTION

This Insurance Manual has been produced to present a broad outline of Insurances, Terminologies and General Information to assist you in better understanding various Insurance policies.

**The Insurance Programme set out in your insurance Invoices/Schedule combined with this guide contains a brief description of individual insurances, but it should not be treated as a replacement for the relevant policy documents. Each policy should be carefully read by the Insured and, in particular, note taken of the description in the policy of the coverage provided as well as the exclusions and policy conditions.**

## SERVICE PERSONNEL

Gil Van der Venne (*Aff.A.I.I., Q.P.I.B., DIP.F.S (Brok),CIP*) Managing Director

Dale Collins (*ANZIIF (Snr Assoc),Q.P.I.B,CIP*) Partner/ Account Manager

Tim Burton Assistant Account Manager

Sarah Farmer Assistant Account Manager

Andrew Ramsden Authorised Representative

Kerry Van der Venne Administration

# IMPORTANT NOTICES

**Please read these notices carefully. If there is anything in them that you do not understand or if you would like any further information, please contact us.**

## ***YOUR DUTY OF DISCLOSURE***

You and everyone who is insured under your policy must comply with the duty of disclosure. Make sure you explain the duty to any other insured's you apply on behalf of.

The duty requires you to tell the insurer certain matters which will help it decide whether to insure you and, if so, on what terms. The duty applies when you first apply for your policy and on any renewal, variation, extension or replacement of the policy.

The type of duty that applies can vary according to the type of policy.

If we act on your behalf, to assist us in protecting your interests, it is important that you tell us every matter that:

- you know; or
- a reasonable person in the circumstances could be expected to know, is relevant to the insurer's decision whether to insure you and, if so, on what terms. We will then assist you in determining what needs to be disclosed to the insurer in order to meet your duty.

If we act on behalf of the insurer, you need to refer to the policy which will set out the duty that applies.

When you answer any questions asked by the insurer, you must give honest and complete answers and tell the insurer, in answer to each question, about every matter that is known to you and which a reasonable person in the circumstances could be expected to have told the insurer in answer to the question.

Examples of matters that should be disclosed are:

- any claims you have made in recent years for the particular type of insurance;
- refusal by an insurer to renew your policy;
- any unusual feature of the insured risk that may increase the likelihood of a claim.

If you (or anyone who is insured under the policy) do not comply with the duty, the insurer may cancel the policy or reduce the amount it pays in the event of a claim. If the failure to comply with the duty is fraudulent, the insurer may treat the policy as if it never existed and pay nothing.

## ***INTERESTS OF THIRD PARTIES***

Many policies do not cover the interests of third parties (e.g. co-owners, lessor(s) and mortgagees) whose interest is not noted on the policy.

If you require the interest of any third party to be covered, please let us know, so that we can ask the insurer to note that party's interest on the policy.

## ***AVERAGE CLAUSES (UNDERINSURANCE)***

Many policies that cover loss of or damage to property contain what is called an "average clause" which, if you are under-insured, may reduce the amount of cover under the policy.

Briefly stated, an average clause provides that where the amount of the loss or damage is greater than the sum insured under the policy, the insurer is only liable to pay a proportion of the loss or damage. In effect, you are treated as if you self-insured a part of the risk.

If your policy contains an average clause, please read it carefully to see how it affects the amount of cover under the policy.

If your policy provides "new for old" cover, please ensure that the sum insured is the cost of replacing the lost or damaged property with new property.

## ***RECOVERY RIGHTS***

Many policies exclude or limit the insurer's liability if you have entered, or enter, into an agreement that excludes or limits your rights of recovery against third parties whose acts, errors, omissions or other conduct have caused or contributed to your loss or liability. (These are often called "hold harmless" agreements.)

If you have entered, or consider entering, such an agreement, please let us know, so that we can advise you about how the agreement affects, or will affect, your cover.

## ***MATERIAL CHANGE OF RISK***

Many policies require you to notify the insurer in writing of any material change to the insured risk during the period of insurance. The insurer can then decide whether to cover the new risk.

Some examples of material changes are:

- if you change your profession or occupation;
- if you acquire or merge with another business;
- if you commence manufacturing plastics, or commence woodworking activity;
- if you commence manufacturing a new kind of product;
- if you are unable to pay your debts as they fall due and you enter into an arrangement with your creditors.

If you are in any doubt as to whether the insurer should be told about any particular change to the insured risk, please ask us.

## ***"CLAIMS MADE" POLICIES***

Some kinds of liability policies (including professional indemnity, directors & officers and trustees liability) are usually issued on a "claims made" basis. This means that (subject to the other terms of the policy) the policy covers claims made against you during the period of insurance.

Under section 40(3) of the Insurance Contracts Act, if your policy is a "claims made" policy, and if you give notice in writing to the insurer of facts that might give rise to a claim against you as soon as is reasonably practicable after you become aware of those facts but before the period of insurance expires, the policy will cover (subject to the other terms of the policy) any subsequent claim against you that arises from those facts, even if that claim is not made until after the period of insurance has expired. (If you presently have a "claims made" policy, please consider whether there are any facts that should be notified to your present insurer before that policy expires.)

If your policy is a "claims made" policy, and if it has a "retroactive date", it will not cover any claim that arises from any act, error, omission or conduct that occurred before that date.

## ***UTMOST GOOD FAITH***

A contract of insurance is a contract of the utmost good faith. This means that you and the insurer must act towards each other, in respect of any matter arising under or in relation to the contract, with the utmost good faith. For example:

- you must act with the utmost good faith when submitting any claim to the insurer. If you fail to act towards the insurer with the utmost good faith, it may prejudice the claim; and
- the insurer must act with the utmost good faith when handling the claim.

## ***PRIVACY***

We are covered by the Federal Privacy Act and its National Privacy Principles, which set out standards for the collection, use, disclosure and handling of personal information. We respect your privacy and are committed to protecting your personal information.

We collect personal information in order to provide our various services. These include insurance broking, claims management, risk management consultancy, underwriting management and reinsurance broking. Other purposes include helping to develop and identify products and services that may interest clients, conduct customer satisfaction surveys, establish and administer alliances and other arrangements with out organizations in relation to the promotion administration and use of our respective products and services. For further information regarding our services please contact your **Aughtersons representative**.

We disclose personal information to third parties who are involved in the provision of our services.

For example, in arranging and managing your insurance needs we may need to provide information to insurers, re-insurers, other insurance intermediaries, its advisors such as loss adjustors, lawyers and accountants, and other parties involved in the claims handling process. We also may provide it to purchasers of our business and related **Aughtersons companies**. When you provide us with personal information about other individuals, we rely on you to have made them aware that; you will or may provide their information to us, the purposes we use it for, the types of third parties we disclose it to, and how they can access it. If it is sensitive or health information, we rely on you to have obtained their consent to the above. If you have not done either of these things you must notify us before you provide the relevant information.

If you would like a copy of the **Aughtersons** Privacy Statement or would like to access your personal information, please contact the Aughtersons Privacy Officer on (03) 9879-7699.

Unless you notify us in writing otherwise, by proceeding to deal with us, you confirm on your behalf and/or on behalf of those you represent agreement to the above principles.

## ***COMPLAINTS***

We subscribe to:

- The General Insurance Brokers Code of Practice; and
- Financial Ombudsman Service (FOS). FOS fairly and independently resolves disputes between consumers — including some small businesses — and member financial services providers. Membership of the Financial Ombudsman Service is open to any financial services provider carrying on business in Australia.

FOS cover financial services disputes including banking, credit, loans, general insurance, life insurance, financial planning, investments, stock broking, managed funds and pooled superannuation trusts.

If you are not satisfied with our service, or if you would just like more information, please contact our Complaints Officer on (03) 9879-7699.

## ***ESSENTIAL READING OF POLICY WORDING***

The original of your policy wordings have been provided to you or will be passed to you as soon as they are received from Insurers. It is in your own interests to read these documents without delay and advise **Aughtersons Insurance Brokers Pty Ltd** in writing of any aspects which are not clear to you or where any aspect of the cover does not meet with your requirements.

## **VALUATIONS**

The information we obtain from you as part of the process of placing your insurance programme includes details of the replacement value of the property you wish to insure.

### **Are your insurance Declared Values accurate?**

Unless you have recently had an insurance valuation, you may run a risk of declaring inadequate Sums Insured. **Aughtersons Insurance Brokers Pty Ltd** can arrange external valuation services for the purposes of financial reporting and providing an accurate assessment of insurable values. Frequently they find that when they carry out a valuation for the first time, declared insurable values represent 50-75% of the correct amount. There are, of course, exceptions where they find cases of over-insurance.

However, this occurs less than 5% of the time.

Why does under-insurance occur?

Principal reasons seem to be:

- A lack of independent professional advice.
- Many entities do not have accurate asset records or asset registers and consequently are not always aware of all of the assets they own or control.
- Replacement costs are based on book values or some multiple thereof.
- Replacement costs may be based on special discounts arrangements or secondhand prices which may not be available after a loss.
- Insurance values may be based on indexed annual increases often using the CPI and with no assurance the original base Sum Insured is correct.
- Inadequate recognition of the impact of foreign exchange rate fluctuations in replacing imported assets.

The reason for having insurance cover is to put you back in the position you were before the loss occurred. If the declared values are understated, this will not occur.

Co-insurance provisions will apply even after a partial loss and can be a serious financial burden.

# REPORTING PROCEDURES

## **GENERAL INFORMATION**

Having an Insurance Intermediary to handle your Insurance matters adds, in effect, a specialised Insurance Department to your Company.

However, any Department, be it Sales, Production, Accounts or Insurance, can only function efficiently if the Management keeps it fully informed and properly instructed. Since your Insurance Brokers office is a detached department, it is imperative that a close liaison be maintained and that all necessary information be furnished promptly.

In your own interests you should advise **Aughtersons Insurance Brokers Pty Ltd** of any material alterations which may effect the adequacy of or necessitate any amendments to your Insurance Program.

These alterations may include:

1. Acquisition of new Companies and/or mergers in which you are involved either in Australia or overseas.
2. Purchase, construction or occupancy of new premises; or alteration, vacation, temporary unoccupancy, extension or demolition of existing premises.
3. Increase in values in excess of Insured limits for buildings, plant and stock.
4. Removal of stocks or equipment to new locations.
5. Hire, lease or borrowing of plant and equipment.
6. Contractual Liabilities.
7. Granting of indemnities or hold-harmless agreements.
8. Changes in processes, occupancy, products or extensions of business.
9. Proposed installation of pressure vessels or new key machines.
10. Alteration, amendment to or disconnection of fire or burglary protection systems.
11. Proposed charter or use waterborne craft, except as public fare paying passengers.
12. Proposed use of radioactive materials or isotope

## **REPORTING OF CLAIMS**

It is important that claims are settled quickly and fairly. To ensure that this occurs there are certain procedures which should be followed.

1. Advise **Aughtersons** office immediately that an event has occurred which may give rise to a claim under one of your policies.
2. We will ensure that you have the correct claim form. Please have all relevant answered and attach any relevant documents to support the claim, if available, otherwise do not delay reporting the loss.
3. In regard to claims which relate particularly to
  - Third Party claims against you e.g. Motor Vehicle, Public Risk, Products Liability.

Please do not incur any expense by litigation or agreement, or admit liability verbally or in writing otherwise you may prejudice your claim.

Any summons, Writ or other legal demand must immediately be directed to the Insurance Company under cover of your letter via **Aughtersons Insurance**

**Brokers Pty Ltd.**

Insurance Companies have undertaken to accept the risks you have insured against and it is their responsibility to accept or reject liability.

**Uninsured Risks Exposure**

The following classes of insurance's are products generally available. We recommend that you review the coverage types to determine weather these covers are appropriate for your circumstances.

We shall be pleased to supply any additional information required to assist you in considering these areas of cover.

***Property, Financial & Casualty***

**Advance Business Interruption**

Financial loss resulting from project delay due to loss or damage to property whilst undergoing construction, installation etc. Includes loss of planned trading revenue, continuance of overheads and extended interest charges etc.

**Boiler and Pressure Vessels**

Covers damage caused by explosion or collapse of boilers or pressure vessels as well as legal liability to third parties arising there from.

**Business Interruption (Loss of Profits, Consequential Loss)**

Covers loss of income, contributes towards the continuing fixed costs of the business and increased working costs incurred to avoid or diminish a reduction in income or interference to the business following loss or damage to property.

**Computers (Electronic Equipment)/Data Processing**

Breakdown, loss or damage to computers and associated equipment. Can include cover for loss of data, additional expenses incurred to maintain normal operations and consequential loss of income.

**Contract Works (and Contract Works Liability)**

Loss or damage and third party liability arising out of construction, erection, installation and related testing activities etc.

**Credit Insurance**

Financial loss due to bad debts incurred following the insolvency of a customer.

**Defamation (Libel and Slander)**

Legal liability for injury to the reputation, goodwill, profession, trade, business or credit of third parties in consequence of defamation, libel and slander.

**Engineering (Machinery Breakdown)**

Breakdown of machinery and can include boiler and pressure vessels explosion cover. May extend to include consequent loss of income and/or additional expenses incurred to maintain operations and/or spoilage of stock.

**Fidelity Guarantee, Dishonesty of Employees**

Loss of funds or property resulting from fraudulent or dishonest acts by employees.

**Industrial Special Risks**

Covers the cost of repairing or replacing physical assets following loss or damage by an insured risk.

**Landlords**

Provides a range of covers for residential property owners in the event of damage to their property by tenants.

**Legal Expenses**

Legal expenses incurred as a result of contractual disputes, the use of motor vehicles and a variety of other circumstances.

**Marine - Inland Transit**

Loss or damage to property in transit by any form of conveyance within Australia.

**Marine - Overseas Transit**

Loss or damage to property in transit by any form of conveyance to or from Australia and overseas locations.

**Marine Hull (and Liability)**

Loss or damage to a marine vessel and includes liability to pay damages (including legal expenses) in the event of negligent death or injury to third parties or damage to their property.

**Motor Vehicle**

This can take several forms:-

- \_ Comprehensive i.e. own damage and third party property damage
- \_ Third Party Property Damage only
- \_ Compulsory Third Party Act cover. This is a compulsory insurance in all states of Australia and applies to injury or death sustained by a third party in an accident involving a registered motor vehicle

**Special Contingencies (Special Risks, General Property)**

Can cover special items such as mobile phones, laptops, jewellery and variable items against loss or damage from a designated range of causes.

***Liability*****Directors & Officers Liability & Company Reimbursement**

Covers damages (not fines or penalties) and legal expenses incurred due to a breach or alleged breach of duty, misleading statement or wrongful act (as defined in the policy) by a director or officer acting in that capacity.

### **Directors' & Officers' – Supplementary Legal Expenses**

As its' title suggests, Supplementary Legal Expenses cover is intended to supplement a Directors' & Officers' Liability policy. To effect a Supplementary Legal Expenses policy it is a prerequisite that a Directors' & Officers' Liability policy be in effect.

### **Employment Practices Liability**

Covers damages and defence costs in the event of actions taken by employers relating to wrongful dismissal, discrimination, sexual harassment etc.

Other, more specific Environmental/Pollution coverage may be available, depending on the nature of risk.

### **Public & Products Liability**

Legal liability to pay compensation (including legal expenses) to third parties in the event of the insured causing or being alleged to have caused injury, death or loss of or damage to property arising out of business operations or products.

### **Product Guarantee**

Covers the legal obligation to replace or repair products which fail to perform their intended function, or financial loss sustained by a customer or third party arising there from.

### **Product Recall**

Covers the expenses incurred in recall of potentially faulty products.

### **Professional Indemnity (Errors & Omissions)**

Covers the legal liability to compensate third parties (including legal expenses incurred) who have sustained financial loss due to a breach or alleged breach of professional duty on the part of the Insured or their employees.

### **Statutory Liability**

Protects "innocent" employers and individuals from statutory fines arising from for instance, breaches of legislation such as the Workers' Compensation Legislation, Environmental legislation, and the Occupational Health and Safety legislation.

### **Taxation Indemnity**

Expenses incurred by the insured in the course of compliance with tax audits instituted by the Australian Taxation Office.

### **Trustees Liability Insurance (A form of Professional Indemnity Insurance)**

Covers trustees, trust managers, sponsors of superannuation funds in respect of legal liability to compensate third parties (including legal costs incurred) arising out of the negligent administration of the trust or fund.

### **Umbrella Liability**

A legal liability insurance which provides cover:

- \_ in the same circumstances as other liability policies such as General & Products Liability, Motor Vehicle etc but provides additional Limits of Liability above those insurances
- \_ of a wider scope than the underlying liability policies

**Extra Territorial Workers' Compensation**

Legal liability to pay compensation (including common law damages) to an employee domiciled in Australia who sustains injury, disease or death anywhere in the world outside of their Australian State or Territory of domicile, in circumstances where a Workers' Compensation policy may not adequately respond.

**Workers' Compensation**

A compulsory insurance which must be effected in all States or Territories of Australia in which the insured engages employees.

Provides Workers' Compensation benefits as designated by the Government Act prevailing in each State or Territory (including cover for common law actions where applicable).

**Workers' Compensation - Make Up Pay**

This insurance provides cover for the difference between benefits payable under the various state workers compensation acts and benefits normally payable to an injured worker by way of an award or agreement.

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