



AOMC Insurance Presentation

Presented by Rob Nolan

Date 17/06/2023





What is Insurance

Origin & Intention of Insurance

Underwriting Process

State of the Market

Management & Association Liability

Public Liability

Claim Examples

Other Insurance

What is Insurance

- Insurance is the transfer of risk for a premium
 - Home insurance example
 - Insurance is a risk management option
 - Insurance is a legal contract (schedule and policy wording)
 - Insurance is a negative product
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Origin & Intention of Insurance

- Origin of insurance example
 - The original intention of insurance is to put the insured back in the position they were before the loss occurred
 - The system is predicated on the majority paying and not claiming
 - Capitalism has created many derivatives of insurance products
 - Claiming requirements to deter fraudulent claims
 - How premium pools and rating structures operate
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Underwriting Process

- Underwriting rule of thumb is 70% claims paid of the Base Premium
 - Premium example
 - \$10,000 Base Premium
 - \$1,000 GST
 - \$1,100 Stamp Duty
 - \$12,100 Total Premium
 - 70% claims paid is \$7,000
 - By limiting cover insurers pay less in claims and can reduce quoted premium
 - Premium is a purchasing factor but not always a reflection of cover
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State of the Market

- Hard market cycle
 - Impact of the natural disaster frequency for premium pools and reinsurance rates
 - ICA in December advised the insurance bill for storms and floods over the past 3 years was \$12.3 billion with 800,000 lodging claims
 - Disaster losses are realised on the insurer P&L around 18 months
 - Increase in claim costs due to inflation for services, products and construction
 - Premium pools are fluid hence the fluctuation in premium rates
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Management & Association Liability

- Directors & Officers
 - Management Liability
 - Association Liability (includes Professional Indemnity)
 - D&O, Company Liability, Statutory Liability, Employee Practices Liability, Crime/Fidelity & Company Tax Audit
 - Defence costs included
 - Liability based claims are non quantifiable
 - Limits \$500k, \$1m, \$2m or \$5m
 - Negligence is a legal determination
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Public Liability

- Third Party Property Damage
 - Third Party Bodily Injury
 - Business activities listed on the schedule
 - Australia wide cover
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Claim Examples

- Director or the Association held liable for breach of workplace health and safety with fines issued and defence costs covered
 - Director related claims include breach of professional duty, fiduciary duty, trade practices, WH&S, defamation, copyright etc
 - Professional indemnity claims relating to membership for the enforcing or interpreting of association rules on members with defence costs or financial loss to a third party covered
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Claim Examples

- Employee accountant misappropriated funds through access to the payroll and trust account (Crime/Fidelity claims can be hard to substantiate)
 - Former employee claimed harassment etc with an out of court settlement and defense costs covered
 - Tax Audit that required outsourced accounting assistance resulting the costs of the accounting services covered
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Other Insurances

- Business Pack (various policy sections under one policy)
 - Public Liability
 - Voluntary Workers (Personal Accident and Sickness)
 - Event Liability
 - Event, Market and Stall Holders
 - Cyber
 - Motor Fleet
 - Tax Audit
 - Travel
 - Transit
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