



## Understanding the Rise in Your Premiums

As your broker, we are committed to making sure you have the best coverage to suit your circumstances. That means helping you understand your insurance options, both when you first take out your policy and again when it's time to renew.

This year, many insurance providers are increasing their premiums to cover rising industry costs. As part of our commitment to you, we want to make sure you understand the reasons why the industry is raising its insurance premiums and what you can do to make sure you are getting the best possible premium for your individual circumstances and risks.

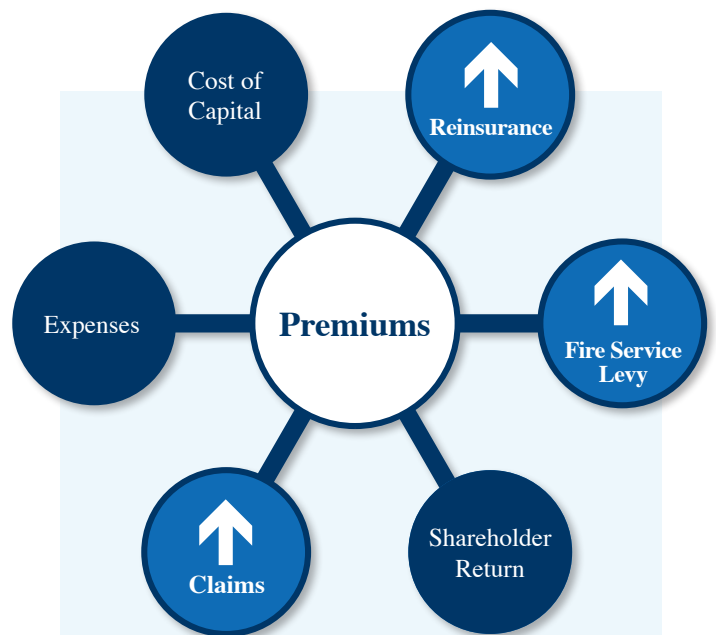
### Why are Premiums Rising?

In 2011, four natural disaster events in Australia and New Zealand were listed amongst the year's top 10 most costly world events.<sup>1</sup> Whereas claims arising from natural perils like storm, fire, hail and rain had nearly doubled in the preceding year (from \$1.18 billion in 2009 to \$2.14 billion in 2010), by the end of April 2011 annual claims costs nationally had already exceeded \$4.2 billion as a direct result of the year's extreme weather events.<sup>2</sup>

Increases in the number of claims and the cost of settling those claims (driven in part by rising construction and material prices) are all making the business of insurance more expensive.

Reinsurance costs for insurers are also rising. Reinsurance covers insurance companies to make sure they can honour all legitimate claims following extreme weather events (like the ones we've seen this year). After recent events, reinsurance providers now see our region as a high-risk area for natural disasters. As a result, reinsurance premiums are increasing for Australian insurers on policies across the whole country and these costs are being passed onto policy-holders.

In addition, as of 1st October 2011, the Fire Service Levy in Country Victoria has also increased from 65% to 85% for both Fire/ISR, Consequential Loss and Construction policies, and from 24% to 32% for Household and Landlord policies. This has a further flow-on effect causing increases to the GST and Stamp Duty applied on affected policies.



#### The key cost pressures driving increased insurance premiums include:

- **Increased number of claims**
  - increased number of natural disaster claims
  - increased number of natural peril claims (e.g. storm, fire, hail and rain-related damage)
- **Increased cost of settling claims (e.g. building and material costs)**
- **Increased cost of reinsurance (insurance to cover insurers for major event claims)**



## What can you do to help manage the increase to your insurance costs?

The increasing frequency of extreme events is pressuring the insurance industry to raise the cost of premiums. But these same events also mean that maintaining your protection is more important than ever.

At Whitbread, we understand that increased premium costs may be difficult to manage. That's why we're committed to helping you find a policy that continues to give you the right level of coverage while avoiding unnecessary expenses.

The following list outlines some of the steps you can take to ensure the best outcome for you:



### ✓ Talk to us about your policy to ensure you are still getting the best coverage

- For example, you can consider increasing your excess to reduce your premiums.



### ✓ Always provide up to date information about your assets

- A more detailed, up-to-date assessment of your building will assist our office to ensure you are appropriately insured. Insurers such as Chartis Australia and Chubb Insurance provide complimentary building appraisals when a policy is taken out. However, if you decide to use another insurer you may choose to have one conducted.
- Notify your broker if you have improved your building security e.g. alarm system installed, key locked windows and deadlocked doors fitted.
- Review building information such as construction to ensure details are accurate.
- Ask your broker whether you need to specify valuables as cover maybe included within the policy wording
- You should also notify your broker if the nominated drivers and/or overnight parking arrangements of your motor vehicle have changed.



### ✓ Review your risk management practices to minimise losses from extreme climate events

- Standard maintenance for all properties should include regularly inspecting roofs and gutters to make sure they're in good condition and free from debris. This can prevent unnecessary damage during heavy storms.



### ✓ Be aware of how the condition and location of your assets influence your premiums

- Policies covering properties in high-risk areas will in general cost more to insure than those in low risk areas.
- In addition, buildings with external timber or EPS (expanded polystyrene sandwich) cladding are more subject to damage in the event of a fire and cost more to insure.
- With policies that include flood cover, depending on the location of your property, you may decide that flood cover is not required. In this case, you can ask your broker whether your insurer will remove the flood extension from your policy.



Contact your Whitbread broker to discuss your situation in detail and find the best solution for you.

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