



Cyber threats are lurking

THEY SAY life insurance is like a parachute, if you don't have it when you need it most, it's too late.

Well ... cyber insurance might soon be the same.

Get used to the expression because cyber insurance products will be the norm as we turn more to technology and doing business on the internet.

Cyber insurance, a new form of liability coverage in Australia, enables businesses to insure against the risk of being hacked or having customer information stolen or misused.

There are frequent media reports of banks and other companies having client data lists stolen from under their IT noses and used and abused by high-tech criminals.

And it's not just big companies that are at risk. Anyone collecting clients, customers, members and other entities' information is at risk. 'Etailers' selling products on the internet are vulnerable. All computer systems are vulnerable to cyber extortion, which occurs when a hacker blocks access to a system and demands money to unlock it.

Latest Australian Government research estimates one in five companies suffered cyber breaches in 2012 and the threat is growing as the world shrinks via the computer.

But what cyber coverage is available and what suits individual businesses best?

The most basic cyber insurance deals with electronic-related issues, such as failure to promptly install a software patch, the sudden emergence of an unwanted virus, or privacy matters.

But plenty of other threats are emerging – not just from cyber terrorists – which could require coverage. Employment-related privacy breaches, or customer-related breaches of privacy and confidentiality, are areas of concern.

Another is crime insurance, including loss of money from fraud, or an employee stealing intellectual property, such as data or valuable company information.

This is an internal issue. What about outside access, where a hacker attacks the computer system and causes an organisation significant financial loss?

Human error also has to be taken into account: what if the paymaster sends money to the wrong BSB? Or a refund goes to someone else's credit card?

Cyber insurance can be extended to cover companies that put written material on websites that might be defamatory or discriminatory, either from employers or employees.

The onus is always on the company if it holds confidential customer information that somehow makes its way into the public domain. Media companies moving from print to the internet in recent years have had to look closely at this aspect.

Policies come in various forms, from first party coverage directly benefitting the insured organisation, to third party, for customers and other affected individuals or groups. Insurance cover can include repairs to computer systems and compensation to affected third parties.

Businesses seeking cyber insurance should be specific on coverage, as in the policy definition of "territory". With the internet putting information at our fingertips, "territory" should be worldwide.

For more information on latest developments in the US on cyber coverage, visit <http://www.insurancejournal.com/new/national/2013/02/19/281713.htm>

For information and advice, contact your JMD Ross account manager. ➤

JMD Ross sponsors ATEC symposium

JMD Ross Insurance Brokers is a corporate partner for the Australian Tourism Export Council's annual symposium.

This year's event, from June 4 to June 7, is at the Adelaide Convention Centre.

JMD Ross has been a travel industry specialist for more than 30 years and is a long-time member, supporter and sponsor of ATEC.

This year JMD Ross is sponsoring a MasterClass at the symposium, which will give tourism industry specialist Tim Ross an opportunity to outline to ATEC members the benefits of corporate travel insurance. JMD Ross offers a specialist facility for inbound tour operators and preferred rates on general insurance products for ATEC members. ➤

Premium increases 'patchy'

Continued from page 1

The overall combined ratio was 98% for commercial lines in 2012, compared to 106% in 2011, and 89% for domestic lines, compared to 98% in 2011.

Taylor Fry actuary Evelyn Chow said the industry was forecasting combined ratios for commercial insurance to drop to 94% in 2013, and domestic lines to drop to 87%. However, those estimates were made before early 2013's Queensland and northern NSW floods, and bushfires in south-eastern Tasmania and northern NSW.

The outlook was not all positive for insurers, with the barometer forecasting low interest rates would push premiums up in commercial and domestic lines this year.

JP Morgan senior insurance analyst Siddharth Parameswaran said insurers were concerned about low yields on fixed-interest investments, which Australian insurers typically held to back their liabilities. "For long-tail products, where claims generally take longer to settle, this can make substantial differences to returns in the absence of premium rate increases," he said.

The barometer found, overall, rates in commercial classes increased 5% in 2012, with property rates hiking up 9%.

"In commercial classes, the industry is again expecting an increase in premium rates," Mr Parameswaran said.

Ms Chow said availability of capacity for long-tail commercial insurance products made it harder for insurers to push prices up substantially. ➤



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Premiums ‘will increase’ unless risks reduce

JANUARY 2013 saw horrific bushfires and floods sweep across the nation, costing insurers about \$1.15 billion.

A blistering heatwave over summer, when January was Australia’s hottest month on record since 1910, contributed to catastrophic fires.

The Insurance Council of Australia (ICA) declared bushfire damage in south-east Tasmania’s Forcett and Dunalley region a catastrophe on January 5 and damage around Coonabarabran and the Warrumbungle National Park, in northern NSW, a catastrophe on January 16.

By April 1, insurers had received 1,785 claims for the Tasmanian fires and 1,500 claims for the NSW fires.

After fire threats subsided, Queensland and northern NSW experienced flood damage as ex-tropical cyclone Oswald battered the eastern coastline in late January.

ICA declared flood damage in Queensland a catastrophe on January 27 and damage in NSW a catastrophe on January 29. At April 1, insurers had received 83,449 claims for the Queensland floods and 19,511 for the NSW floods.

Insurers have been adding the costs of the disasters.

Suncorp estimated ex-tropical cyclone Oswald cost it \$200 million to \$220 million, after including the group’s Queensland home portfolio quota-share arrangement. Other natural hazard events in January cost \$50 million, bringing the group’s natural hazard claims for 2012-13 to \$397 million to \$417 million, against a \$520 million full-year allowance.

On February 11, Insurance Australia Group (IAG) said it had received more than 13,700 claims from Oswald, costing \$120 million to \$140 million, and another 600 claims from bushfires, costing about \$35 million.

Wesfarmers estimated its Oswald claims could reach \$30 million and east coast fires \$10 million, while QBE estimated Oswald could lead to a \$55 million to \$60 million payout.

Last November, the Senate Standing Committee on Environment and Communications began investigating trends in, and preparedness for, extreme weather events. The inquiry’s submission deadline was January 18, and the committee has until June 26 to report to the Senate.

ICA’s submission said most of the industry’s gross property claims from 2011’s natural disaster events were recovered from global reinsurers. Consequently premiums hardened when insurers sought to renew their reinsurance arrangements. Many property insurers responded to the reinsurance hikes with premium increases and risk exposure reviews.

ICA said governments should work to reduce the “brittleness” of communities’ building environments. Its submission said 25% of homes destroyed in Marysville and Kinglake in the 2009 Victorian bushfires were within 1m of bushland and 60% were within 10m. At 10m, evidence showed a building had a 90% or higher chance of burning in conditions such as Black Saturday’s. ICA said regulation could be introduced to control construction of properties close to bush to make communities more resilient to fire.

IAG’s submission said insured losses associated with natural perils were increasing because of population increases, rising building costs, and poorly constructed buildings not resilient to natural hazards. It said affordability was an issue only for specific consumer groups – the financially disadvantaged and those living in high-risk areas. IAG said a long-term strategic approach by governments, the insurance industry and the broader community was needed to combat affordability.

Suncorp said insurers used risk data from multiple sources to ensure products were appropriately priced, according to the degree and type of risk. Its submission said barriers impeding insurance’s efficient and effective operation were: understanding risk; planning for risk; building for risk; mitigating risk; inappropriate taxes on insurance; and communities’ limited financial literacy. ➤

‘ICA says governments and communities must implement mitigation strategies to reduce risks and increase resilience.’

Event	Date declared a catastrophe	Number of claims (at April 1)	Insured losses (at April 1)
Tasmanian bushfires	January 5, 2013	1,785	\$88 million
NSW bushfires (Coonabarabran region)	January 16, 2013	1,500	\$35 million
Queensland flood and storm damage	January 27, 2013	83,449	\$908 million
NSW flood and storm damage	January 29, 2013	19,511	\$122 million

Source: Insurance Council of Australia



Lachie Scoular

New claims officer farewells mentor

STARTING a new position in July as JMD Ross claims officer is bitter sweet for account manager Lachie Scoular.

While he is looking forward to “sinking my teeth” into claims, Lachie will farewell a retiring mentor.

Jenny Werner mentored Lachie when he first joined JMD Ross in 2001 and, in twist of fate, he takes over Jenny’s claims officer role more than a decade later.

Lachie began his broking career “purely by accident”. “I wasn’t sure what I wanted to do after school and someone suggested insurance broking. I thought I’d give it a go and have been in the industry coming on 13 years.”

Lachie has held numerous roles at JMD Ross since he began as a junior. “I studied a Diploma of Financial Services at TAFE at night for three years when I first started working here. I have since moved my way up the ladder.”

Lachie is excited about his new role and looking forward to the challenge. “In my current role as account manager, I manage our clients’ insurance and risk needs, including finding the right coverage and offering management advice.”

As claims officer, he will manage clients’ claims from lodgement to settlement. “Lodging a claim can be quite daunting, especially if you are doing it for the first time. My goal is to guide clients through the process step by step, and have their claims settled as efficiently as possible.”

Lachie briefly left JMD Ross in 2011 to work for international broker Marsh. During a 12-month stint there, he managed claims from the 2011 Queensland floods. “I wanted some experience with a big broker but, after working there for a year, I found nothing

was quite like JMD Ross’s family environment.” He returned early in 2012 when a new position became available.

“Working in a company like JMD Ross is probably the best place I could have started. The company has given me every opportunity to experience all sides of broking.”

Lachie said he enjoyed broking because no two days were the same. “I am always learning. It never gets dull because there are always new things to sink my teeth into.”

In his spare time, Lachie enjoys staying active and exploring the outdoors. “Living on Sydney’s northern beaches provides the perfect blend of all the things I like to do.”

However, the self-confessed “wannabe surfer” admits the board sport is not for him. “I love the beach, but riding a seven-foot board, which can be used as a weapon, does not appeal to me,” he joked. When he’s not cheering on his AFL team, the Sydney Swans, Lachie plays the piano and writes music.

Lachie thanked Jenny for her years of support. “The skills she has passed on to me through her mentorship have given me the tools to do the job.”

Jenny said it felt “strange” for Lachie to be taking over her role. “Lachie was very young when he arrived. He sat with me for a couple of weeks and I taught him the basics.”

Jenny has worked for JMD Ross for more than 17 years. She is excited about the next chapter of her life, but says it will be sad leaving the JMD Ross family.

After returning from a four-week trip around the Mediterranean, Jenny aims to focus on her civil celebrant business. She became licensed many years ago, but has never advertised her services. She has married only a few couples, including two JMD Ross employees. ➤



Clinical trials insured

JMD Ross Insurance Brokers is renowned for its ability to find the right insurer to underwrite just about any risk you can name.

Its more unusual risks of late include a series of clinical trials in the United States for a new, Australian-developed drug. JMD Ross has arranged liability, property and marine insurance for the entire project, which begins in New Zealand where animals are injected with the drug. Their blood samples are then decanted and refined, sent to the United Kingdom for further development, then exported to a United States laboratory for use in the clinical trials.

If the trials are successful, the drug could cure some forms of cancer.

Insurance arrangements for the client are complex, spanning four countries around the globe. But for JMD Ross, it’s just part of the service they have provided for the R&D company involved for more than a decade. ➤

Contract review service

JMD Ross Professional Risks, which specialises in arranging professional indemnity insurance for consulting engineers and architects, offers its clients a full contract review service.

The unique in-house review facility covers a broad range of issues. The review will state whether a contract confers liabilities that take you outside the scope of your professional indemnity policy. With JMD Ross Professional Risks’ broad wording, it is rare to find agreements creating liabilities that are not covered but we usually identify areas where contracts might be improved, to enhance your protection from risk.

Professional services contracts are reviewed within 72 hours, giving clients additional protection before they sign new contracts. ➤

NSW workers' compensation amendments vary entitlements

CONTROVERSIAL NSW workers' compensations laws continue to take effect this year, so employers need to be up to speed with the extensive changes.

The cost-cutting measures, passed by the NSW State Government in June last year, are aimed at lowering WorkCover Authority debts of more than \$4.1 billion.

Under the new laws, workers injured on their way to or from work (known as journey claims) are no longer compensated and there is a one-year cap on payment of medical costs after a return to work.

Many of the hotly-debated measures were introduced immediately and apply retrospectively, with others taking effect throughout 2013.

There will be some benefits in the changes, despite widespread criticism of aspects of the amended legislation.

There are exemptions for police officers, paramedics, firefighters, coal miners and workers who make dust diseases claims. But, like other injured workers, they must submit new certificates of capacity for claims, which replaced the former medical certificates.

As well as reducing the growing scheme deficit to make the scheme more financially viable, the changes were brought in to protect seriously injured workers' entitlements and encourage those less seriously injured to return to work sooner.

The changes do not impact on how employer premiums are calculated. Insurers have been given greater ability to develop more timely and positive return-to-work outcomes, which lawmakers hope will reduce claim estimates and premiums.

Work capacity assessments will be conducted by insurers and determine an injured worker's ability to return to work in some form of employment.

As an employer you are legally obliged to provide, when requested and where reasonably practicable, suitable employment to an injured worker who can return to work.

If you need help in identifying and providing suitable employment for an injured worker, contact your insurer/scheme agent. They may refer you to a workplace rehabilitation provider.

WorkCover NSW inspectors should provide advice on placing injured workers back into jobs and can issue legally binding improvement notices to employers who fail to meet injury management and return-to-work obligations.

Changes to journey, whole person impairment and disease claims are expected to benefit self insurers. Journey claims coverage is now available only where there is a "real and substantial connection" between a person's employment and the incident in which the injury occurred. For example, if a nurse en route to work stopped to assist at a car accident and was subsequently injured, he or she would be covered by workers' compensation insurance.

Insurers are now providing specific policies to cover employees for journey claims. Policies will provide the option of capital benefits – lump sum payment for death or injury; or weekly benefits to replace lost income. Employees can purchase personal journey claim policies themselves or employers can purchase a policy to cover all their employees.

Under the new laws, employees' whole person impairment must be more than 10% from a physical injury to access a permanent impairment lump sum. Employees must now prove their employment is the main contributing factor causing their injury, where the injury is a disease. ➤



Personal lines manager loves customer contact

JODI HALKETT has tried her hand at several careers. She's worked with an insurance underwriter, been a retail administrative assistant, and ventured into real estate.

But she says none compare to her new customer-focused role as JMD Ross personal lines division manager.

Jodi joined the brokerage in 1999 as an administrative assistant/general processor and has performed a range of roles, including data entry, processing alterations to policies and renewals, customer inquiries, and assisting with renewal preparation.

While she agreed it was unusual today for an employee to stay at one company for 14 years, she said JMD Ross was "like family. Everyone knows each other, and we regularly socialise outside work".

She likes the company's size: "It's easy to get lost in a bigger organisation."

In her new role, she oversees householders, landlords, strata, personal motor vehicle and pleasure craft insurance. "I'm a 'domestic goddess,'" she jested.

Jodi takes ownership of domestic policies, following the process from start to finish. "It's more hands on. Previously I was behind the scenes, but now I have customer contact," she said. "Clients know they can contact me any time."

Jodi always endeavours to meet customers' needs and concurrently learn new skills. "I don't want to get stuck on one thing, so I try to get involved in commercial insurance and handle new business, as well.

"When a client rings, I want to treat them how I would expect to be treated if I was in their shoes – with kindness, compassion and care."

Jodi's insurance career began at Lumley Insurance, where she did administrative processing. She also did reception duties at a camera and video store, and then sold real estate, which she "absolutely hated".

Jodi stumbled across a newspaper advertisement for a processing role at JMD Ross. "When I saw the advert, I thought I could do it because I already had some processing experience."

She's found her niche in broking and likes being able to help people and earn their trust.

Outside work, Jodi enjoys keeping active and for many years played baseball in a woman's competition. Today she's content to watch her husband, Daran, on the pitch. The couple has a cat and a dog, which Jodi affectionately calls her "furry children". ➤



John and Mary Anne Duncan

John Duncan, snr, celebrates 60 years in industry

JOHN J Duncan, snr, clearly remembers anxiously waiting to start his first day at Farmers & Graziers Co-operative Grain Insurance & Agency Co Ltd (F&G) on Monday, July 6, 1953.

“I got in early at 7.30am, and sat there, trembling.”

Despite his initial trepidation, John found his niche in insurance. “I enjoy meeting people and learning from them.”

Sixty years later, the entire Duncan family has links with insurance. John's elder son, John G Duncan, is CEO at JMD Ross Insurance Brokers and his younger son, Michael, is RSA Singapore's Global Specialty Lines CEO for Asia/Middle East. “I never asked my sons to join the industry; in fact, I tried to persuade them to follow other career paths. The insurance industry isn't easy; I've had some challenging situations in my career.”

John's wife, Mary Anne, was JMD Ross's financial controller and company secretary for 27 years.

John spent 28 years with F&G, initially filling out claims registers, then rising up the ranks to be senior city inspector, overseeing a team of eight.

He left F&G on December 31, 1981, and began work at JMD Insurances Pty Ltd, a brokerage he and Mary Anne had established in 1979, using their initials to form the name. The name changed to JMD Ross when Tim Ross joined in October 1988. He was followed by his brother, Sandy, in February 1990.

John clearly recalls his first day at JMD. “It was just the two of us; I told Mary Anne to write everything down in an exercise book.” The company has grown to now employ 22 people.

Although John has reduced his work hours from averaging 12-hour days to about seven, he is still heavily involved in the company as chairman of the board.

He still enjoys working with clients, many of whom have been with the business since 1981.

He has no plans to retire yet and will continue working while he's healthy.

John has seen the insurance industry change over the years – particularly its use of technology. Initially, all files were hand written. At F&G, underwriters shared a single Dictaphone. John says the 1984 introduction of a computerised broking program revolutionised industry work practices.

Another positive was the growth of broker cluster groups. In 1994, JMD Ross needed to grow by acquisition so it joined the Austbrokers network, and Austbrokers is a major shareholder. John said the move gave JMD Ross the capital to expand, with Austbrokers assisting in funding its purchases of other brokerage portfolios.

John tells JMD Ross's younger brokers not to treat clients as numbers. “They are real people with names. You need to get to know your clients well, from a business perspective.”

He says regular client communication is important. “I've heard of brokers at other firms who contact clients only when a policy is about to end. That horrifies me.”

John attributes JMD Ross's success to “a wonderful group of directors and amazing staff. We're lucky to have the staff we do, because they have shown great commitment to JMD Ross. That's why we've succeeded”.

Outside work, there is little time for John's passions – golf, gardening and reading. “I'd like to play more golf, but there are not enough hours in the day.” He loves travel and works out at a gym twice weekly. ➤

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