

# veracity

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Our opportunity to  
prove value after  
natural disasters



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The Vero SME Insurance Index 2012 was undertaken to understand the attitudes and behaviours of small to medium enterprises with regard to insurance.

by Andrew Mair

Executive General Manager,  
Intermediated Distribution



Andrew Mair

# Our Opportunity to prove value after natural disasters

The insurance industry has an opportunity to prove its value to small to medium enterprises (SMEs) following this year's natural disasters according to Andrew Mair, Vero's Executive General Manager.

Andrew was commenting on the findings of the Vero SME Insurance Index 2012.

More than 600 SMEs, plus industry experts including brokers were interviewed for the comprehensive survey – the first of its kind.

“The findings highlight challenges and opportunities for commercial insurance in 2012. The SME market is a

major plank in our strategy and this survey will give us – and our broker partners – insights into the thinking of SMEs who are the backbone of our economy,” said Andrew.

“The impact of the disasters has made SMEs more wary of the industry, although most are happy with their current insurance arrangements. There's a

need to enhance the inherent value we are offering.

The research paints a picture of an industry which can expect some turmoil in the immediate future and shifts in perception in the longer term.

On the positive side, we're generally performing well while preparing to meet the challenges we face.”

## Rebuilding business confidence

The research shows a trend towards optimism with 38% of SMEs more confident about business in the coming year. However, most are still unsettled with 55% unchanged or less confident.

Micro businesses (less than four employees) are the most confident with small businesses (5-19 employees) less confident and medium-sized (20-200 employees)

businesses expecting conditions to hold steady.

“In this tentative climate, it’s essential for the industry to highlight the reassurance, certainty and peace of mind that appropriate coverage brings,” added Andrew.

## SME’s perception of the insurance industry

Despite this year’s disasters and the backlash against the industry, most SMEs (89%) are overwhelmingly satisfied with their current insurance

arrangements. These results were consistent across business size, industry and approach to broking.

However, they have mixed feelings about whether they are getting value for money: 40% said they were not; 33% said they were and 27% were unsure.

“There is a clear challenge for the industry to improve the perceptions and realities of value for their customers,” said Andrew.

“It’s important for insurers and brokers to ensure their customers know what they need covered, how those risks are managed and what the process will be should something go wrong.”

## Pricing

SMEs believe rises in insurance premiums are inevitable.

Two-thirds are expecting increases when they renew their policies. Of those, 47% expect them to be fairly sizeable – an increase of 10% or more.

The majority (68%) said they were willing to pay more for better service, while less than 40% believed price was the biggest factor in making insurance decisions.

Medium businesses were less price sensitive than small or micro businesses with only 23% of medium businesses viewing price as their key driver.

However, pricing was the common reason given for changing insurers. Of the 44%

who switched insurers in the past five years, 38% said price was the main factor. 25% changed to get better cover with their new insurer.

“Although the results suggest that price is a key factor, the entire insurance offering needs to be considered. We need to remind customers of the benefits of appropriate insurance coverage which demonstrates good value for the premium paid,” commented Andrew.

View the full report and explore the data in way that is relevant to you in the Interactive Data Viewer at [vero.com.au](http://vero.com.au)



## Broker relationships

65% of SMEs use brokers and their relationships are generally strong.

Those who don’t use brokers have a distinctly different attitude. Most (56%) believe insurance costs more through a broker. 30% say they don’t use a broker to avoid dealing with a ‘middleman’.

In contrast, those using brokers tended to believe it costs the same or more to purchase insurance without a broker.

Overall, relationships are collaborative. 28% make joint decisions with their broker while 45% simply accept the

broker’s recommendations. There were a variety of reasons for using a broker:

- ▼ Reliability or trustworthiness (16%)
- ▼ Helpful service (16%)
- ▼ Familiarity (14%)
- ▼ Approachability (13%)
- ▼ Specifically tailored service (11%)

“This presents opportunities for brokers to demonstrate their value to those purchasing insurance directly,” said Andrew.

“They can demonstrate the tangible benefits they offer

through more appropriate, cost effective and tailored coverage.”

The SME Index 2012 contains a wealth of information about how businesses with less than 200 employees view business in general, the insurance industry and importantly, how they will act in the future. To learn more about this important facet of Australian business, [click here](#) to visit the Vero website where you can view the Full Report and explore the data in way that is relevant to you in the Interactive Data Viewer, or speak to your Business Development Manager. //



## Meet Luke Goss

Award-winning young broker

Executive General Manager Andrew Mair presented the Vero-sponsored Warren Tickle Memorial Award for 2011 to Western Australian State Manager, Blue Broking, Luke Goss.

Presented at the NIBA Convention, the award recognises young insurance brokers' professionalism and contribution to the industry.

We spoke with Luke to find out what makes him tick.

### How long have you been in insurance?

10 years.

### What made you nominate for the award?

I wasn't planning on nominating for at least another couple of years. I am only 29. But I saw the value in both personal and brand recognition and wanted to achieve both sooner rather than later.

Listen to advice, accept every opportunity to learn, be aware of all of the directions that your career can move in and...enjoy the ride!

### What have you learnt as a result?

There are a lot of really good insurance people out there who love their jobs. The profession is in good hands with the crop of young professionals coming through.

### How are you going to use your travel prize?

My wife and I are going to London in late April to early May. It's a good time to travel, plus I can use the experience with the June renewals. We will have a short holiday afterwards and celebrate our 7th wedding anniversary in Prague.

### Would you recommend being nominated?

Absolutely, it can provide insight into where other young professionals are in their careers and help you evaluate your own position.

### Is the industry doing enough to help young people?

Yes, there are plenty of training options available through NIBA and employers to help develop young people in their field of insurance.

### Where do you believe the insurance industry is going?

It will continue to evolve. It's faced a lot of challenges but will always provide security and protection for clients along with a rewarding career for those working in it.

### What are the major changes?

The recent catastrophes are having an effect on underwriting guidelines and claims management processes. It'll be interesting to see how insurers address, respond to and deliver insurance products and claims service in the future.

### Last word for someone just joining the industry.

Listen to advice, accept every opportunity to learn, be aware of all of the directions that your career can move in and...enjoy the ride! //

# Vero's multi-line packages meet miners' needs

With expected revenue of \$208.9 billion in 2011/12, the mining industry is a leading contributor to Australia's economic wellbeing. As the industry booms thanks to demand from China and India, the insurance needs of the sector are experiencing significant growth.

"We're seeing a lot of activity in the smaller international and junior miners in particular," said Mr Tony Vidler, Leader WA & Mining Underwriting. "The number of operating mines in WA alone is now over 1000."

Mine sites are large and complex operations with significant fixed operating costs. Any break in production can prove extremely costly. Vero's experienced risk engineers conduct inspections for select clients and provide them with a full report and recommendations on how to manage risks on their site.

The expertise also extends into the personal injury arena. GIO Workers Compensation is the largest player in the WA industry and has a claims team dedicated to the mining industry. This means they're well placed to manage return-to-work in remote locations, and are familiar with the complexities of cross-border legislation for fly-in-fly-out employees.

This wealth of experience across product lines is being brought together to simplify the process of clients and brokers.

"We're increasingly focusing on multi-line product 'bundles' which not only better meet the industry's needs but also makes a lot of sense for brokers," said Mr Vidler.

"It is all a part of a customer-focused Vero strategy to better service miners with simpler transactions covering a wider variety of insurance needs. Brokers are benefiting too through larger, more streamlined transactions and the higher levels of satisfaction they are achieving for their clients." //

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# Industry issues discussed with Vero's senior brokers

Patrick's speech focused on global economic uncertainty and the volatility of financial markets, adding that the underlying strength of the economy was once again protecting Australia from the full impact of these issues.



Vero's leading broker partners met with Suncorp Group CEO Patrick Snowball, Commercial Insurance CEO Anthony Day and a number of Executive General Managers in October to discuss key issues facing the industry.

The luncheon was held at award-winning Sydney harbour-side restaurant Quay with more than 20 senior brokers and intermediaries attending. The format was informal with Patrick and Anthony making brief speeches before continuing discussions over lunch.

Patrick's speech focused on global economic uncertainty and the volatility of financial markets, adding that the underlying strength of the economy was once again protecting Australia from the full impact of these issues. He said Australia's banking and insurance industries were in good shape and amongst the most efficient in the world.

Patrick also mentioned the amazing contribution brokers and insurers had made to help the community following the disasters which occurred at the beginning of the year. Anthony also touched on the enormous efforts the industry had made to help people through the catastrophic summer.

He discussed the Commercial Insurance business' advantages of scale and its ability to tap into the rest of the Suncorp Group, citing as an example the success of the S.M.A.R.T. car repair centres. Originally established by Personal Insurance, they are now incorporated by Commercial Insurance into fleet cover.

Dealing with the flood and cyclone events was another example of Commercial Insurance's capabilities to leverage scale advantages across the group, pulling in expertise to scale up the claims team.

Another example Anthony cited was the recent establishment of 'GIPE' – the sophisticated pricing engine which harnesses Suncorp's entire dataset – one of the largest in Australia – to reflect the 'real risk' of specific perils by location and provide the power for more focused, flexible pricing. //

# Reborn mill gives Tully back its heart.

In the Far North Queensland town of Tully, they have a saying: "If you can see the top of the mountain, it's going to rain. If you can't see the top of the mountain, it's raining."

Mother Nature's eccentricities are familiar to this beautiful town which endures a massive four metres of rainfall every year. But her wrath was wrought unmercifully in February this year when Cyclone Yasi swept through Tully with wind speeds of up to 300 km/h.

Besides the severe impact on homes, the Tully Sugar Mill was battered, sustaining significant damage, including to its huge cooling towers.

The mill is the town's heart. It is the largest local employer and more than 200 farmers rely on it for processing their cane. It was crucial to get the

mill up and running by June when the next harvest needed to be crushed.

Owned by Tully Sugar Limited, the mill is insured by Vero. A collaboration between Vero's Queensland Underwriting Leader, Peter Stone, AON broker Paul Simmons, the mill's loss adjuster Andrew

The mill was back in operation in time for the cutting season – a very satisfying outcome for all involved.

McIntosh and Trevor Bettenay from Claims created the right response.

"It was going to be a case of head down, bum up for a few months to get them back up and running," said Paul Simmons. "That's something sugar mills are

good at and Vero are very good at supporting."

A meeting agreed that Vero would allocate two dedicated home assessors next day to evaluate damage to the mill's 39 residential properties.

Given the extent of damage to the mill, Vero would

approach Lend Lease which provides project management services for large property losses. They would handle tenders, documentation and coordination, with mill staff to review and approve. The mill's management team had day jobs – repair of the mill was not part of them.

With Vero's support and the quality project management, provided by Lend Lease, the deadline was met. In fact, a number of major repairs were completed 10 weeks ahead of the schedule.

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# How we can keep our roads safe these holidays

As a leading commercial motor insurer, Vero is acutely aware of the social costs of road accidents – never more so than over the annual holiday season.



We're keen to reduce fatalities and personal injuries by at least 30 per cent.

We advocate treating the vehicle as a workplace and provide key fleet customers with a risk management framework that aims to change the driving culture.

This includes a post-accident review process, toolbox talks, fleet policy and information

on topics including speeding, fatigue and mobile phone use.

"Our experience of proactively promoting safe driving with our customers has proved extremely effective," said Darren O'Connell, EGM Commercial Portfolio.

To drive corporate involvement, Vero believes the National Transport Commission should

consider changes to existing occupational health and safety regulations to incorporate core aspects of a national road safety program. Rewarding participants and top performers, reporting the program's progress and highlighting the benefits to all stakeholders will also help.

"A critical issue such as this needs all available community expertise so the Commission's move to promote greater corporate involvement is welcome."

"Another essential ingredient is the involvement of senior management. One customer had the CEO call anyone who had been involved in an accident to promote employee accountability.

"This and other changes they introduced saw their claims costs drop from \$120,000 to \$20,000 within a year," Darren said.

The downward pressure on the cost of claims and premiums that would result will benefit everyone.

Let's hope we can all enjoy an accident-free holiday season. //

## Bytes

- ▼ Vero has announced a number of initiatives including a broker training roadshow in response to The Bureau of Meteorology warning that 'La Niña' conditions will prevail over summer. The severity is predicted to be weaker than last season's catastrophic conditions.
- ▼ Vero is focusing on women in insurance through a series of seminars in conjunction with ANZIIF. Gabriele McDonald is presenting at 'Women Succeeding in Business' events held during November and December.
- ▼ All of us at Vero would like to thank each of you for your support over the past twelve months. We wish you all the very best of the season and a safe, happy and prosperous New Year.

## Events calendar

**Australian Open**

Melbourne – January 2012

**Vero Expo**

Brisbane – 9 February 2012

**Broker Training**

NSW – February 2012

– Sydney

– Sydney West

– Central coast

## Did you know?

Did you know 76% of brokers surveyed in November scored us 7/10 or above in response to the question 'How likely are you to recommend Vero'

In NSW, GIO General Limited operates the NSW WorkCover Scheme. In WA, ACT, TAS and NT, Workers Compensation insurance is issued by GIO General Limited ABN: 22 002 861 583.

Vero Insurance Limited ABN 48 005 297 807

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