



RM Insight[®]

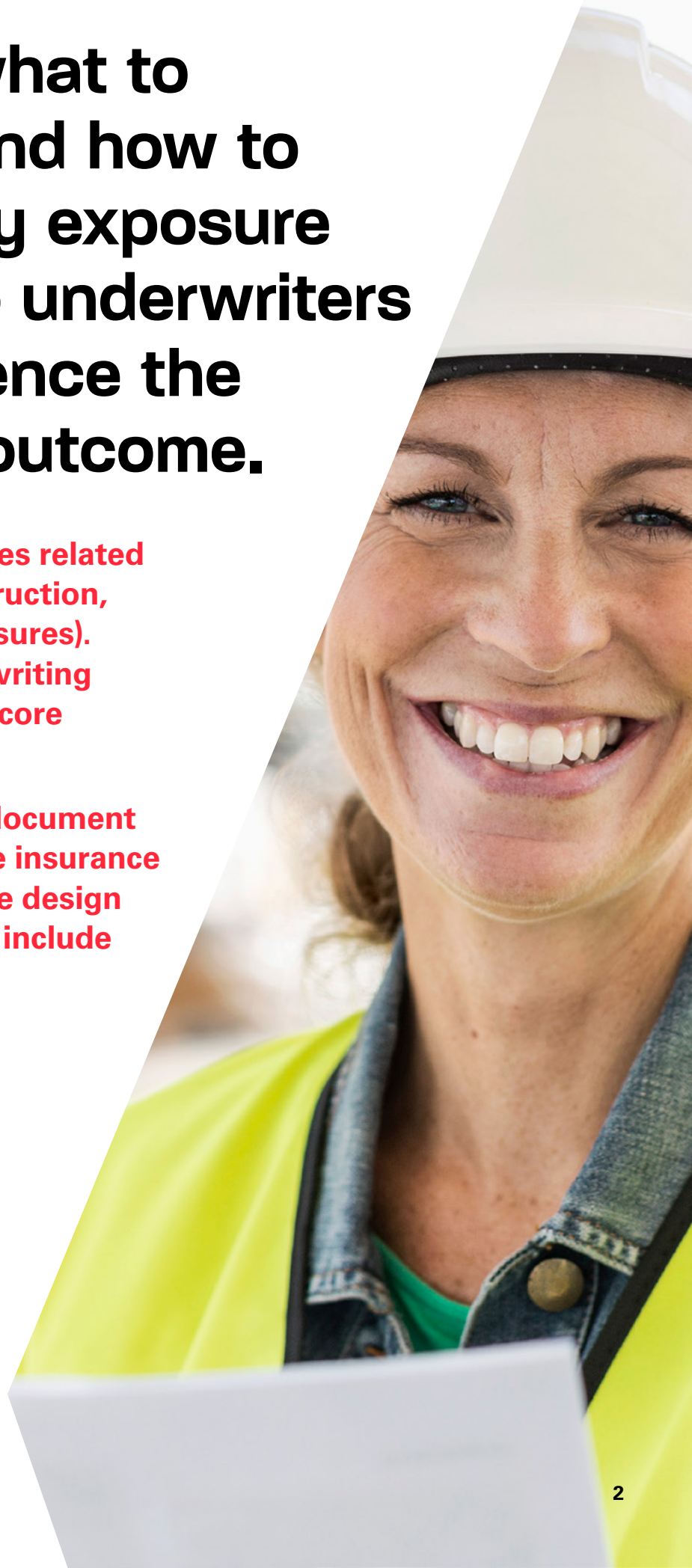
Property Insurance – A Broker's Guide to Reporting on Exposures

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Understand what to report upon and how to convey quality exposure information to underwriters that will influence the underwriting outcome.

This is one in a four part series related to reporting on COPE (construction, occupancy, protection, exposures). Historically, property underwriting has focused on COPE as the core principal of risk assessment.

The table at the end of this document is a common approach in the insurance industry and will assist in the design of your own tables that may include all COPE elements.





Our message to brokers

Understand that underwriters may respond to scant information by a straight decline, or the underwriter may default to the least desirable occupancy information provided to price the risk. Thus, the more detailed information that can be provided in the insurance submission, the better the outcome will be.

Here are a few tips:

- It's important to reveal your source of information, as per examples in the table at the end of this document (e.g. as viewed, per drawings, as indicated by the insured etc.).
- Support your conclusion with documentation if available (e.g. Bureau of Meteorology, Risk Identifier tools, ICA Dataglobe).
- Don't worry if you are unable to provide elaborate information. Just let us know and through your provision of photos or documentation, we will be able to qualify. If this can't be achieved, and it's important, we will seek an alternative means to qualify.
- Provide plenty of photos to support your conclusion as these will assist determination by underwriters. Don't forget to obtain the permission of the insured to take photos.
- Include a survey report by others if available and note any changes.
- If you have identified a shortfall, discuss this with the insured, seeking their implementation of a corrective action and timeline to complete. The inclusion of this initiative in your report is an indication to the underwriter that the insured is willing to embrace risk mitigation and provide solutions.

Details

Reference numbers may be found in the table at the end of this document.

1. Third party property close to the insured:

Easiest way to show this is draw, snip google earth etc. and include. Indicate distance, occupiers name, describe construction and occupancy of the third party property if known.

2. Smoke/water from firefighting in nearby properties:

Consider anything within say a 1 km radius that may be of significant hazard such as a recycling yard or tyre storage. A significant hazard would be recognised for its fire load producing large quantities of thick dense smoke and would continue for quite a while. As detailed in our 'Understanding Exposures' article, the issue is that the locality may be shut down by the emergency authorities preventing access to/from the insureds property.

3. Lightning:

is a natural perils exposures where the underwriter would look at the frequency and severity. Insurance companies have knowledge of these perils from their own experience and draw

further information from a variety of resources such as the Bureau of Meteorology, Risk Identifier tools, ICA Dataglobe, etc. Re-insurers have worldwide perils data such as Nathan and Catnet.

For lightning, the underwriter would look at the level of risk posed by the location (i.e. high frequency of lightning strikes), susceptibility of the premise being a conductor such as metal construction and high structures such as communication towers, etc. In turn, they would consider the protection such as lightning rods strategically placed across the site. These would accept a lightning strike and provide a safe path to earth, rather than a wayward current throughout a building causing fire.

Check for surge protection on electrical systems and appliances, especially computer systems. Refer to Australian Government-Geoscience Australia. <https://www.ga.gov.au/home>

4. Windstorm:

Check Bureau of Meteorology or any other available source for experience, likelihood and ask the insured. Look for any protection mechanisms such as special wall bracing, additional fixings on the roof and wall cladding. Details could be in plans and specifications and ask the insured. Also, do they have a tie down, yard removal type program to rid the open yard of items that may fly away during high winds. Refer to Australian Government-Geoscience Australia. <https://www.ga.gov.au/home>

5. Hail:

Check Bureau of Meteorology or any other available source for experience, likelihood and ask the insured. Metal roofs can experience denting, fibre cement roofs and fibreglass skylights can be punctured by hail stones. Refer to Australian Government-Geoscience Australia. <https://www.ga.gov.au/home>



6. Flood:

Check local council flood maps, Bureau of Meteorology, ask insured. Check for protection such as levees surrounding the property, raised structures, basements and drainage pumps, plant and equipment raised up on concrete plinths, stock placed on pallets and in racks.

7. Earthquake:

Ask the insured, look for wall bracing, storage rack bracing, seismic design features of buildings and liquid containing tanks and vibration isolation devices for gas and other fuel supplies. Fire following earthquake is a major risk. Refer to Australian Government-Geoscience Australia. <https://www.ga.gov.au/home>

8. Bushfire:

Consider construction of the building and its ease of catching fire. Do they keep gutters clean and combustibles in the yard detached from the property. Refer to 'A Broker's Guide to Understanding Exposures' for more details.

9. Aircraft:

Is the facility under a known flight path or in close proximity to an aerodrome where holding patterns may exist?

10. Vehicles:

Consider traffic movements upon the premises and protection mechanisms such as high gutters, impact protection bollards, a traffic management plan etc. Don't forget impact to elevated services (electrical cabling, water, gas) across the site from high loads. Are signs and sacrificial bars provided? Also, consider the proximity of the building to a public road where vehicles traverse (at high speed, heavy loads, long articulated vehicles). Again, are there any protection mechanisms provided such as substantial gutters and bollards and is the facility set-back from the road for example?

11. Vandalism/malicious mischief:

Consider location, security and previous history. Look for graffiti on or close to the building or damage to perimeter fencing indicating unauthorised site access and activity.

12. Riot/civil commotion:

Part of the previous exposure (vandalism/malicious damage) and can also be related to internal risks. A big thing here is staff relations and the likelihood of an internal confrontation leading to a physical consequence such as arson and malicious damage for example.

13. Building restrictions:

As we discussed in other COPE papers, over the course of time there may have been a change to zoning which could prohibit the redevelopment of the premises on the site. Or, the council may impose a number of covenants on the redevelopment, which may include changes to building materials, an aesthetic change, lowering the building height, etc, all increasing the cost. At the end of the day, covenants may be too hard for the insured to comply with and relocation could be the only option.



Resources

Bureau of Meteorology

Australian Government-Geoscience Australia

LMI RiskCoach: internet based risk management and insurance resource.



Exposures' table and example input

Third Party property close to the insured¹	To the north-east of the insured site is a third party building at an estimated distance of 10 m. Refer to the attached google snip. Unable to determine occupancy and name. Walls and roof appear to be corrugated metal.
Smoke/water from firefighting in nearby properties²	Other than the above noted property there is no other building within 25 m. It is however noted that there is a tyre storage yard some 50 m away. Refer attached google earth snip.
Lightning³	The insured indicates that they have experienced a number of lightning strikes in the past 2 years (15 strikes per year). Lightning conductors are provided and no detriment has been experienced.
Windstorm⁴	The Bureau of Meteorology indicates locality is a high winds area. Snip of this is attached. The insured indicates that the building has been constructed to cyclone standards. Details of this are provided in the attached. The insured also indicated that the yard space is always void of items that may fly away in high winds.
Hail⁵	The insured indicates that they experienced a hailstorm 6 months ago and it broke a fibreglass skylight.
Flood⁶	The ABC River is adjacent to the insureds' property. The insured indicates that the property has experienced flooding twice in the past 3 years. After the first flood, the insured raised all machinery, plant and equipment up off the floor by at least 1 m (on concrete plinths). Stock is in metal racks and the bottom level is kept empty. Storage starts at the second level. Electrical services and reticulation has been elevated. Roads around the site have been elevated inclusive of public access roads. The second and third floods presented no loss having benefited from this noted protection means.
Earthquake⁷	Insured indicated no experience.
Bushfire⁸	No threat known. A review of google maps indicates that there is no bushland/grassland within 50 kms.
Aircraft⁹	Insured indicates that the nearest airport is 100 km away.
Vehicles¹⁰	A number of large semi-trailer vehicles move around the site and vehicle impact is evident. Steel bollards have recently been provided to avert any further damage.
Vandalism/malicious mischief¹¹	Minor graffiti noticed on external fence panels. This has been there for some time and is to be painted over shortly. This area is inspected daily.
Riot/civil commotion¹²	Insured indicates no experience. Good staff relations.
Building restrictions¹³	Unknown to the insured.

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Or for more information on how our expert Risk Management team can help you, visit: vero.com.au/risk-management or contact us at riskengineering@vero.com.au

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