

# TCIS COVERNOTE

ABN 43 338 679 821  
ACN 071 275 306  
AFS Licence No 236530

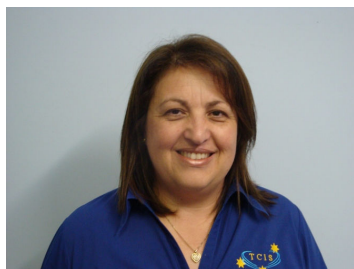
VOLUME 1 ISSUE 4

May 2011

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**The Editor**  
Sabina Renna



## TCIS Overview

Here we are nearly mid way through 2011 and what a start to the year what with the floods & cyclone disasters in Queensland to floods in Victoria and Western Australian bushfires., Also with the earthquakes to our nearest neighbours in New Zealand and Japan, lets hope the remainder of the year is a lot less stressful.

The Victorian floods are the worst on record since 1933 affecting up to 60 towns. Unfortunately this has probably put a lot of media exposure on the different stances on flood cover by different companies which has lead to a great deal of discussion and criticism with senior politicians and the media weighing in demanding "clarity and compassion" however with all the focus on Insurance Companies do to the right thing. Several insurers have stated on the record they will not consider *ex gratia* payments to flood-affected policyholders. Others are saying nothing at all. However, reinsurers have made it clear that insurers which didn't offer flood cover will not be allowed to deviate from their contracts, and can't expect them to consider financing *ex gratia* payments, either.

The real work for the insurance industry is only just beginning. With claims mounting by the hour, insurers are trying to assess the situation as quickly as possible, but say it's going to be some time before the true cost of this event will be known. An indication of what some insurers are facing is for example Suncorp (GIO & APIA) who is the largest insurer in Queensland in respect to domestic insurance which offers automatic flood cover. The group has received more than 10,000 claims from across Queensland since December 24.

It is inevitable that the disastrous events that have occurred in Australia, New Zealand and Japan in recent times will lead to rate and excess increases; we are already seeing this in the market place.

In our last edition we ran a competition to identify a mystery photo , the answer was Anne Beadell Highway , we would like to thank all the entrants but there could only be a few winners and they are :-  
Ian McDougall – SA  
Joshua Small – NSW  
Ray Ireland - NSW  
Congratulations to you all.

[www.tcis.com.au](http://www.tcis.com.au)

## The Importance of Accessories and Modifications on your 4WD

### What is an accessory?

An accessory is an additional non standard item fitted to the vehicle which does not affect the performance or handling of the vehicle. An accessory can add value to a vehicle.

### What is a modification?

A Modification is a non standard change to the vehicle which affects performance or handling. It usually replaces standard fittings.

4WD owners add modifications to their vehicles to improve safety and performance i.e. if you are in an accident they could save your vehicle and your life.

Accessories and modifications are also fitted to 4WD vehicles to improve the style of travel especially on long 4WD holidays, specialised 4WD accessories can improve the comfort of your vehicle and the distance you can cover in remote areas without relying on as many towns for supplies and fuel.

All modifications must be legally compliant or insurance maybe void the onus is on the owner to get approval from RTA etc.

Warning – some modifications have potential to reduce stability and safety of vehicles, you must be aware of impact modifications will have.

When fitting accessories and modifications to a vehicle it is best to decide which you need to have and which you would like to have. You will also need to think about how you use your vehicle so that the daily use of the vehicle is not compromised. A 4WD which regularly goes off road will be more capable and safer with a small suspension lift and wider tyres, however if the suspension is increased too much beyond the manufacturer specifications or is above the legal limit the vehicle becomes unstable and therefore unsafe. Changes to your 4WD's wheels and tyres can alter its behaviour on the road. Because of this there are limits to the changes which are permitted.

It is the responsibility of the 4WD owner to ensure the vehicle remains safe even if modified within the limits. If you are unsure you should consult the RTA in your State. If your alterations go beyond these limits there is always the chance that you could be stopped by the police and issued a fine or a defect notice on your 4WD.

Overall weight of the vehicle must be considered when modifications and accessories are added, overloading your vehicle can be extremely dangerous and possibly illegal. Accessories and modifications make your vehicle unique but not all underwriters wish to insure such vehicles.

The main thing is to be completely honest about the changes you have made to your 4WD and to ensure the insurance company is aware of them. Always check with your Broker before you make modifications to your 4WD, as Insurers have different guidelines as to what is acceptable and what it not, if a claim occurs and the modifications or accessories were not disclosed at new business, renewal or when fitted to the 4WD they may reduce or refuse to pay a claim, this could cause unnecessary financial grief and stress which could have been avoided.

We recently had a claim paid out for a client who had modified his 4WD beyond the manufacturer guidelines with both a suspension and body lift. As these modifications were declared and were showing on his insurance schedule the claim proceeded without any hassles had the client not declared these modifications the claim would have been refused by the Insurer on the grounds that the modifications were outside their guidelines.

4WD insurance is not something you can just base on premium. It is vital that you know exactly what your policy covers, but it is your responsibility to make sure your Insurer understands your particular requirements.

### Examples of Accessories & Modifications:

#### Accessories:

Bull Bar, Driving Lights, Winch, Cargo Barrier, Diff Locks, Dual Battery System, Air Compressor, Side Steps, Roof Rack, Rear Wheel Carrier, Long Range Fuel Tank, Rear Storage Drawers, Seat Covers, Snorkel, Tow Bar, UFH/HF Radios, Awning, Fridge, Fender Flares, and Water Tanks.

#### Modifications:

Engine Chips for Diesels, Suspension lifts, Body Lifts, After Market Turbos, Converting a Wagon to a Dual Cab Ute, Changing or Replacing the standard seating of the vehicle, Changing the engine or transmission from the standard originally fitted to your vehicle, Non Standard Wheels and Tyres.

## FLOOD

With the recent floods in Qld, NSW & Vic, the insurance industry has once again been reminded of the ever present potential for flood losses in both the commercial and domestic insurance markets.

Fortunately widespread flooding does not occur very often in Australia, whilst this is a good thing; there is a risk that the infrequency of events can lead to the potential of flood falling outside the experience of many claims practitioners.

### FLOOD DEFINITIONS

Different insurance policies define the term "flood" using various words and phrases; however the most contractual definitions have evolved from the common law meaning of "is the covering of normally dry land with water released or which has escaped from the normal confines of

- Any watercourse or lake, whether natural or altered;
- Any reservoir, canal or dam.

Each of these elements are critical to the definitions and needs which need to be satisfied before an insurer can rely on whether the flood exclusion e.g. if water escapes from a watercourse or lake that was man made as opposed to a natural lake or altered then the escape of water can not be defined as flood.

Another form of flood which is sometimes misunderstood is when normally dry land is covered with water and cannot enter any of these watercourses', lakes, reservoirs or dams due to water already contained in them. For example damage caused by rainwater being unable to disperse normally due to a watercourse, dam etc being full is flood damage and this is the case even though the water did not originate from the natural watercourse.

This type of damage is distinguished from damage caused by "run-off" e.g. extreme amounts of rainwater passing through a property on its way to dispersing in a watercourse; damage caused in this way does not usually fall within the definition of flood

With all the various interpretation of flood it is understandable that many people who have suffered losses are concerned about the complexities of flood cover and in light of the events of the previous months it probably is high time that all insurers adopt a common definition of flood cover and in lay mans terms state whether the policy holder is covered by flood – being the inundation of water.

The Insurance Industry is working on a standard for all Insurers to apply. Insurers are also seeking flood risk data from Local Governments to use in formulating a fair rating structure as most standard contracts do not include flood, and it is not always available i.e. those in high flood risk areas maybe declined, and cover based on cost in high risk areas maybe exorbitant.

Even if a standard wording for flood is reached it does not necessarily mean that flood cover will be automatically covered by insurers, it will still be up to the individual insurers to offer the cover.

## The Value of Business Interruption Insurance

Various businesses in Australia have taken a knock with the effects from floods and cyclones. Not only did they need to contend with disaster but also power blackouts, road and rail cut offs, which halted business activities in the disaster areas and also to business owners nowhere near the effected areas

and most had to wear the loss as they did not have the appropriate cover being business interruption.

Business interruption is one of the least understood insurance products it is estimated that less than 40% of small to medium business owners have business interruption insurance.

It meets the fixed costs that still go on after a loss e.g., staff wages, rentals and lease payments which still remain payable regardless of the status of the business.

In order for the cover to be suitable for the client the broker should know the business in order to best meet its requirements. For example a policy covering business interruption due to flood can only be claimed on if flood damages cover is in place but business interruption without direct damages can still be viable.

Policies should be extended from standard covers to say include extra damages from non-operation of a public utility, other extensions can include a revenue reduction following material damage to a customer's or suppliers premises. The other important aspect of the cover that should be taken into account is the indemnity period. Most policies are issued with an indemnity period between 6-12 months however it might well be that a two year period is often a better option.

A perfect example of this is the recent shop fires In Malvern SA, which comprised of 6-7 shops, the fire started in the roof/exhaust system of one and spread through the roof significant damage.

Experts are suggesting it could take up to 6 months before shops can reopen therefore all shops are closed and although there is no material damages to them, i.e. denied access due to fire if they have profits cover they will be paid and will be able to continue to employ staff, they would have the option if suited to their type of business to take assistance to set up risk elsewhere during the period therefore keeping business trading and clients.

**Contact details**

|                         |  |  |
|-------------------------|--|--|
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**Kai's Korner**

Staff Profile – Kai Heinsen

Hello my name is Kai Heinsen, I have just started a new roll within TCIS as sales broker for South Australia, also running the National 4WD & Federation of Historic Motor Vehicle Liability scheme. I have had 8 experiences in the Insurance Industry starting as a junior at TCIS and now running my own portfolios, which consists of small to larger business and commercial motor along with owner operators. I have my Tier 1 in General Insurance Broking and currently I am studying towards my Advanced Diploma in General Insurance Broking. Should you have any questions or would like me to quote your insurance please feel free to give me a call. Mobile :0418 885 418



**RECIPE –  
Sticky Black Pepper Pork**

**Ingredients**

- 2 tablespoons soy sauce
- 2 tablespoons brown sugar
- 2 cloves garlic, crushed
- 1 tablespoon vegetable oil
- 1 teaspoon cracked black pepper
- 1 x 300g pork fillet



**Method**

Place the soy sauce, brown sugar, garlic, oil and pepper in a bowl and stir to combine.  
 Pour over the pork and toss to coat.  
 Cook in a medium-hot frying pan for 4–5 minutes each side.  
 Slice and serve with a cucumber, bean sprout, mint and coriander salad and lime wedge.  
 Author: Donna Hay

**Quote**

The will to win, the desire to succeed, the urge to reach your full potential... these are the keys that will unlock the door to personal excellence."

**Eddie Robinson**

**Legals:**

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