

By Erin Mitchell.



There are many different factors that affect insurance premiums ...

A number of which you can control through various risk management methods such as increased security, service and maintenance programs for your equipment, fire protection, etc. However, there are also a number of factors that are unfortunately beyond control.

Insurance involves the pooling of premiums in order to pay for losses which happen to those who invest in the pool. The arrangement of premium pools affects the premiums that are charged on all individual policies following severe and widespread losses. Recently we have experienced a number of natural disasters and catastrophes around Australia, including floods and cyclones in Queensland, hail storms in Western Australia and Victoria, earthquakes in Western Australia and most recently the wild storms in New South Wales.

Insurance premiums, in response to the wide spread and high cost losses, will rise in order for the premium pools to re-build. The increased premiums are applied on all policies in the premium pool, not only on policies that suffered losses and made claims, which helps keep the cost of insurance affordable for everyone. This is, unfortunately, a pain that we all, as premium payers, will face. The increasing frequencies of natural disasters aren't to take all the blame for the suffering the premium pools have faced. There are man-made disasters that are also to blame – and the biggest of these would be the well publicised Global Financial Crisis, or as better known, the GFC. Insurers rely on investment

income to supplement the operating income. When these earnings are reduced, pressure is put on premium rates.

Insurance premiums will vary between insurance companies depending on risk appetites, claims experience for different policy classes and the level of cover provided by a policy. As we face the inevitable – a hardening insurance market, the need to re-build and increase those premium pools that have severely suffered in the recent months and years – it may be time to test the insurance waters and compare your current insurance programs with other programs and specialised schemes available in the market. The marketing of your insurance program in addition to the risk management methods could

potentially help with the bottom line of your café.

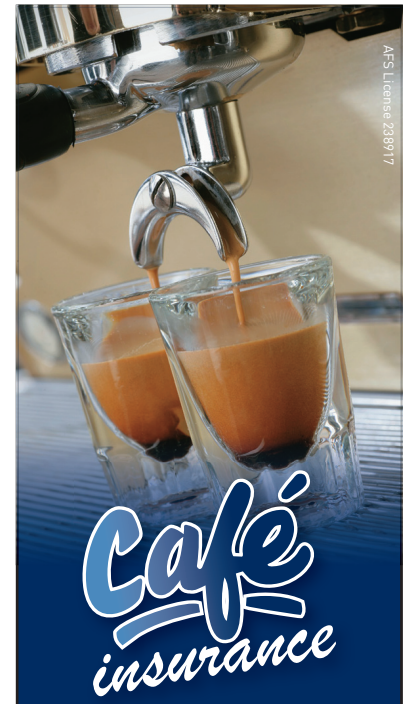
Insurance premiums shouldn't be the final deciding factor when purchasing an insurance product. Ensuring your needs are met by the cover a policy provides should be the most important factor, and therefore you need to be aware of the current covers you have in place so that you can compare against alternatives that offer either the same or a higher level of cover and ignore offers of cheap premiums that cull or restrict your covers.

As insurance policies vary significantly across insurers, it is essential to check with a qualified insurance advisor that your current covers meets your needs.

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