

# **Insurance Education**

## **Insurance Broker**

*What is an insurance broker?*

Insurance brokers are the vital link between consumers and insurance companies. They assist consumers by arranging for the insurance policies best suited to the consumers to protect their property, financial assets and peace of mind. Insurance brokers are the insurance intermediaries whose principle is the insured, which is to say that the insurance brokers are the authorised representatives of people looking for insurance and not the insurance companies themselves.

*What do insurance brokers do?*

Insurance brokers first study and recognise what risks or hazards their clients face. Through this, they become better placed to obtain the best cover at the best rate from the most reliable insurer for their client. Insurance brokers add value to this process by recommending to their clients, ways to further protect their property and business from loss. Suggesting risk management strategies and safety programs are examples of this.

*Statutory requirements*

Insurance brokers are the authorised representatives of people looking for insurance. Thus they are legally bound to act for the insurance buying public and NOT for the insurance company. In Australia, brokers must be registered by ASIC pursuant to The Insurance Contracts (Agents and Brokers) Act 1984 (IC Act). Without registration, a person is not permitted to carry on business of insurance broking and can be fined or imprisoned for doing so.

## **Insurance Agent**

*What is an insurance agent?*

Insurance agents and brokers both sell and manage insurance for their customers. However, insurance agents are the authorised representatives of an insurance company or companies, as opposed to the brokers, who are the authorised representatives of people looking for insurance. Thus, insurance agents are the insurance intermediaries whose principal is the insurer. Normally, insurance agents represent only one insurance company and will only offer one company's products.

## **Insurance Company/Underwriter**

Insurance is a system under which individuals, businesses, and other organisations or entities, in exchange for payment of a sum of money (a premium), are guaranteed compensation for losses resulting from certain perils under specified conditions. It is the protection by written contract against future financial loss from injury, illness, property damage, or liability for the losses of others.

Underwriting is the process for selecting applicants for insurance and classifying them according to their degree of insurability so that the appropriate premium rates may be charged. This process includes rejection of unacceptable risks.

Insurance companies protect individuals and organisations from financial loss by assuming billions of dollars in risk each year. However, before deciding whether to accept or reject a policy, insurance companies investigate the factors affecting the probability of loss. For business property and liability insurance these factors can include inter alia, the physical condition of the property, protective devices and safety procedures used, reports of safety inspections made by company loss control technicians or independent inspection services, credit reports, financial statements, claims records of the applicant etc. If the applicant is determined to be an acceptable risk, the insurance company usually determines the amount of the premiums. Rates may be set according to standardised classifications published in rate manuals or revised to reflect individual or group risk variations.

## **Insurance Premium**

Insurance premium is the regular periodic payment made on an insurance policy. It is the sum paid by a policyholder to keep an insurance policy in force.

## **Differences Between Insurance Broker-Agent**

<b><u>BROKERS</u></b>	<b><u>AGENTS</u></b>
Authorised representatives of the insured	Authorised representatives of the insurer
Represent the interests of the insured to more than one insurance provider	Generally represent one insurance provider and sell the services of that provider only.
Provide extra advise on additional strategies for risk management	Do not generally provide advice on additional risk management strategies.

## **Types of Insurance**

Listed below are a few types of insurance policies, which may be applicable to sporting and recreation organisations.

- Public liability insurance
- Professional indemnity insurance
- Personal accident insurance
- Directors and officers liability insurance
- Associations liability insurance
- Occupational health and safety cover
- Workers compensation
- Property contents insurance
- Fidelity insurance
- Building insurance
- Travel insurance
- Contingency
- Medical Negligence
- First aid Liability Insurance
- Cross Liability Insurance

Of the above list, the first four are generally the most relevant and significant for sport and recreation organisations. A brief overview of these four is provided below.

### **Public Liability Insurance**

Owners and occupiers of premises have a responsibility to keep premises in safe conditions so that other persons entering the premises are not injured. Sporting and recreation organisations must also use reasonable care and skill to ensure that people coming into or near their ground are not injured in any way as a result of the negligence of the proprietor of sporting participant. The duty owed extends to spectators, tradesmen and other visitors to the premises.

A public liability insurance policy is necessary for a sporting and recreation organisation to protect itself against claims made by a third party in respect of bodily injury or property damage arising out of the operation of the organisation's business (note that this does not cover property damage to the organisation's assets but to property damage of a third party).

For example, it is likely to cover a person who enters your premises and slips due to a wet surface and sustains a serious head injury. Another example is where a sport or recreation holds an event and a competitor sustains some form of injury.

The policy may also cover injuries resulting from products sold or supplied, where a sport or recreation organisation sells or supplies food, drinks or merchandise (such as equipment and clothing)-commonly referred to as product liability.

Sport and recreation organisations may have public liability insurance for a specific event to protect them against claims made by a third party in respect of bodily injury or property damage arising out of that event.

### **Professional Indemnity Insurance**

There is often an overlap between 'professional indemnity insurance' and 'directors and officers liability insurance'. The contract of insurance must be reviewed to ascertain the nature of cover.

Generally, this type of policy covers professional people in the business of giving advice and acting on behalf of others, such as coaches.

It covers individuals for legal liability when there has been error, omission or neglect by the individual in the carrying out of their professional duties. Because error or neglect can lead to the professional being sued for negligence, professional indemnity cover insures them against such claims. Policies can include damages for libel, slander and defamation. Negligence or accidental error is often the key to cover and in sport or recreation, this equates with negligence or error occurring during instructions by a coach, manager, physiotherapist or doctor.

### **Directors and Officers Liability Insurance**

As mentioned above, this policy often overlaps with the professional indemnity insurance cover.

Generally, this form of insurance is designed for board and committee members of sporting and recreation organisations who can be sued by their own organisations for acts of negligence (i.e. it is alleged that they have breached the duty of care owed to their organisation). This type of insurance policy is of particular importance where sporting and recreation organisations have large financial turnovers.

### **Personal Accident Insurance**

This type of policy is applicable to individuals within sporting and recreation organisations, such as sporting participants, officials and the like.

It provides cover in the form of weekly fixed payments as a protection against loss of income if a person is unable to work through sickness or accident or in the form of a lump sum to dependants in the event of accidental death.

Forms of benefit under this type of policy may also include medical benefits, student assistance benefits, home help allowance and parents inconvenience allowance in a case where a child is injured.

The type of injury covered may not include injuries suffered by actions outside the rules of the game (i.e. where a player is assaulted by another player after the game).

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