

FUTURE INSURANCE AFFORDABILITY

How your property cover works

BIS has an ongoing role in obtaining property insurance cover for our Baptist constituents. Over the last few years, premiums have steadily increased, with this year’s premium increase at an all-time high for many. These increases have been experienced by many Australians in the form of much higher costs for their home and motor vehicle insurances.

Behind the scenes, BIS has worked hard with our Broker to obtain property cover, and to get the best terms for our constituents. This year was no different. In fact, not only were we working hard to negotiate acceptable pricing and terms, but we also faced the real potential that property insurance cover would not be attainable at all.

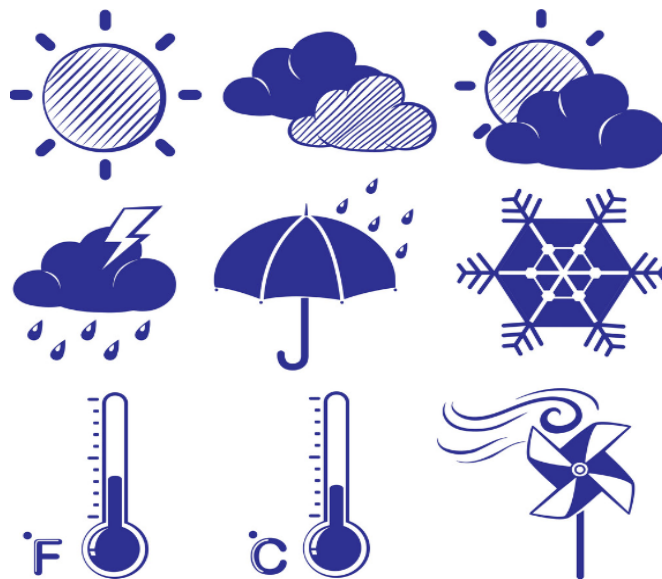
Due to increased severe weather events like floods, storms and bushfires, flow-on effects from the pandemic such as increased costs in building materials, issues with supply and demand, inflation, and downturn in national and global economies, etc; insurers are looking to recoup costs and raise premiums to ensure that they are able to remain in the market.

Our portfolio (all the Baptist constituents throughout Australia that we insure) is now seen as high-risk, and many insurers will simply not provide a quote on property cover. Those that do, provide terms that in the main are unworkable for our constituents.

Whilst some may feel the price of our cover is too high, it is still highly competitive and substantially less than what is available in the marketplace for comparable covers. The reason for this is that

BIS goes to the insurance market with a property portfolio of around \$5billion worth of assets (building and contents) – a combination of all Baptist constituents’ assets Australia-wide. This provides BIS with a stronger platform for negotiations and significant discounts as opposed to purchasing cover on an individual basis for each of our constituents.

Another benefit of being a member of the Baptist Insurance scheme is the excess amount payable if you need to lodge a claim. Currently, excesses payable by our constituents are either \$1,000 or \$5,000 depending on the type of organisation. Prior to this Renewal, the excess imposed by our insurer was \$20,000. The difference in the excess amounts is paid by BIS out of accumulated reserves to subsidise your claims excess. BIS accepts this higher excess as it means we get a reduced premium rate.



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Baptist Insurance Services

How your property cover works continued . . .

However for this current Renewal, our Insurer not only significantly raised the premiums, but they also raised the excesses payable by BIS as follows:

\$100,000	- for all flood, bushfire and cyclone claims
\$50,000	- for all storm, hail, windstorm claims
\$20,000	- for all other claims

This means that BIS must further fund the difference between the excess we on-charge to you and the excess we are charged by the Insurer, to ensure that our Baptist constituents can continue to afford cover. It also means that for this Renewal, it places significant funding pressure on BIS.

Whilst we were fortunate to get property cover for this Renewal, there is no guarantee we will be able to source cover for next Renewal.

What are the alternatives?

If we are unable to obtain property cover through our current Insurer, we are faced with two alternatives:

1) **Sourcing insurance cover through another Underwriter/ Insurer**

The Broker engaged by BIS is now a part of Lockton, the largest privately owned Insurance Brokerage in the world. Consequently, BIS will have access to a broader range of global insurers to potentially negotiate better terms than were previously available and help ease the cost pressure on constituents in obtaining insurance protection.

However, we may face the possibility that due to a significant increase in property claims Australia-wide, resulting from continued and regular severe weather patterns - bushfires, flooding and storms, we may be unable to source a property insurer willing to take on the property risk.

In parallel with approaching new underwriters, BIS is exploring alternative ways of protecting constituents from property losses if the terms of the insurance cover on offer from insurers deteriorates. One of these options is outlined on the following page.



www.baptistinsurance.com.au

Don't forget to check out our website. We have extensive information on risk management including downloadable documents, a list of FAQs, claims information and current updates on News. Or you can just type in what you are looking for in our search bar.



Baptist Insurance Services

What are the alternatives continued . . .

2) Establishing a Discretionary Mutual Fund

A Discretionary Mutual Fund (DMF) is a way of providing insurance-like cover that is managed within the Baptist family. Effectively, we will establish our own co-operative to provide protection to members. A DMF is not insurance, but an alternate way of managing risk and protecting property. There are many DMFs which have been established to do just this. For example, ACS (Australian Christian Services) has been providing this type of cover for its constituents for many years. Through this vehicle they have been able to provide consistent and cost-effective cover to their constituents.

DMF members contribute funds (like a premium you pay for insurance policies) to create a pool of funds. These funds are utilised to manage property claims up to a pre-determined amount. Should this amount become exhausted, either by way of an excessive number of claims or by a single massive claim, additional insurance will be in place to provide protection. This is called Reinsurance and is used by all insurers to help protect against major losses.

For a constituent submitting a claim, there will be little if any change. BIS staff will still manage all claims. The difference will be that BIS staff will manage all claims up to the pre-determined amount instead of the excess/s applied currently.

This model also means there is minimal change for BIS, as in many ways we have already been operating in an environment similar to a DMF by managing claims under the Insurer's excess. Through the State Union offices, BIS has collected money that has assisted in managing and self-funding claims up to the excess amount imposed by the Insurer. With a DMF, BIS will manage claims up to the pre-determined amount.

Again, it is important to note that for losses above the pre-determined amount, a Reinsurance arrangement will be in place to provide financial protection. This model means that the DMF is protected should the collected funds be insufficient to meet all claims costs.

What are the benefits of a DMF?

A DMF exists for the benefits of its members who share a common interest. Unlike companies whose shareholders expect dividends, mutuals use any surplus funds to ensure the DMF remains cost-effective to its members.

Additionally, costs are further reduced as the annual payment will be 'a contribution to the fund' rather than an 'insurance premium'. In States where there are additional charges on insurance premiums like stamp duty and fire service levies, these charges will no longer apply. This can mean significant discounts as taxes contribute substantially to insurance premium costs.

Traditional insurance means that cover for our Baptist constituents is subject to market volatility, premium increases by the Insurer to offset their costs and associated risk. A DMF removes some of this market volatility as we are only providing protection to members of the Baptist family in Australia. Our claims experience will not be linked in with other areas of commerce and industry. Any decisions regarding protection will be made in the best interests of the Baptist family.

BIS Insurance Panel

Below is a summary of your insurance providers for the upcoming renewal period 30 September 2022 to 30 September 2023:

Property	CCI
Liability and Professional Indemnity	CCI
Personal Accident (Volunteers and Youth)	AIG Australia
Personal Accident (Pastors and Spouses)	AIG Australia
Corporate Travel	AIG Australia
Management Liability	CCI
Corporate Practices Liability	SUA
Cyber Protection	ProRisk (for Churches & Campsites only)
* Motor Vehicle (Cars, Trailers, etc)	Vero Insurance
* Marine (Canoes, rafts, kayaks, boats)	Vero Insurance
# Cyber for organisations other than Churches	Emergence

** This is only available for those who have paid an extra premium for this cover*

Only available for non-Church organisations who have obtained a quote through BIS

Baptist Insurance Services

Next steps for BIS

Over the next few months BIS will progress a dual strategy for the 2023-24 insurance year starting on the 30th September 2023.

In relation to a DMF, BIS is and has been consulting with companies/consultants/law firms who are experts in the field of setting up DMFs. Calculations will be compiled by qualified actuaries based on our claims history, type of constituent, property portfolio, level of risk, operating expenses, etc to determine the expected costs of the fund. This total cost is then spread among the members on the basis of the risks associated with each member's organisation. This will be set as each member's annual contribution, previously known as a 'premium.'

We will also be having discussions with a number of existing DMFs to ensure that we can operate a DMF utilizing best practice processes. At the same time, we have asked our Broker to investigate any and all property insurance markets globally to determine the likelihood of obtaining more competitive terms than were available this year.

Next steps for our constituents

Should it eventuate that a DMF is our best option moving forward, we will, by law, need every member to sign up to join the mutual. As a preparatory safeguard we will need to obtain your **expression of interest** in joining the DMF.

Would you please indicate your interest in becoming a member by forwarding an email to your local State Manager. Contact emails are noted in the box below.

IMPORTANT!

Please note that Property Claims need to be notified as soon as possible, ie within 14 days. If claims are not reported in a timely manner after the date of loss/damage and/or the insurer's rights have been prejudiced, your claim may not be accepted. Unless there are extenuating circumstances, claim notification outside 6 months will not be accepted.

Baptist Insurance Services - Local State Manager Contact

Vic	- insurance@baptistinsurance.com.au
Qld	- stefanie.binnie@baptistinsurance.com.au
NSW/ACT	- tim.williams@baptistinsurance.com.au
SA/NT	- glen.thornley@baptistinsurance.com.au
WA	- gail.maddocks@baptistinsurance.com.au
Tas	- rodney@tasbaptists.org.au

Potential Claims

Please contact your local State BIS office as soon as you are aware of any potential claims, ie where you receive/have:

- A verbal complaint which cannot be easily solved and without expense
- A letter threatening legal action from an individual
- A solicitor's letter threatening legal action
- A writ/summons/subpoena/legal court document
- Have a contentious employee termination

If you have any potential claims that have not yet been reported to us, please advise us immediately.