

Recruitment Industry Insurance

Guidance Note – Insurance Premiums

This guidance note is provided to assist you understand your insurance policy in order to reduce uncertainty and give you the information upon which you can make an informed decision when considering your risks and insurance protection.

Further information is available at www.oamps.com.au/amranz or you can contact one of our insurance brokers who specialise in recruitment consultants on 03 9412 1212.

What is a premium?

A sum of money exchanged for a promise to pay for certain losses. The Insurer provides an indemnity to financially place you in the same position that you would have been had the loss not occurred.

How is my premium calculated?

Many factors influence how your premium is calculated such as the amount of income you generate, whether it is from blue collar or white collar placements, what occupations your onhired employees or contractors perform, your claims history, excess levels, limit of indemnity (sum insured), contractual obligations and any risk management strategies you have in place.

What is a minimum premium?

Minimum premiums are the lowest price an insurance company is able to sell that policy for. The minimums arise because insurance companies have to pay certain costs regardless of whether a claim occurs or not. For example, if your premium is \$1,000 and that is the minimum, even if you haven't earned a cent and don't expect to, you will be charged \$1,000.

Why does my premium increase?

The primary reason for premium increases is that your income has increased; the more you earn, the more work you've undertaken and the more risk of a claim. Other factors will affect your premium, for example if you've broadened out into higher risk activities such as nursing or mining, if you've had a claim, if you've increased your limit of indemnity or included additional cover. Additional inflation will cause costs to increase each year and therefore your premium.

How can I reduce my premium?

You can undertake risk management strategies such as improving your contract terms or by obtaining association membership and industry service standards accreditation (such as RCSA Service Delivery Standard).

We often find that loyalty to an insurer imbues loyalty in return and if you do see a sudden spike in your income, you may find your broker has a better chance of negotiating on your behalf. Often clients will change insurer looking for the cheapest premium and possibly jeopardise their cover for a small saving which is dramatically outweighed if there is a claim's issue.