



<http://understandinsurance.com.au/identifying-and-managing-your-risks>

Identifying and managing your risks

Everyone has a different level of risk and before you can start to manage your risks you need to identify them. Your own risk will be a combination of your circumstances, property type, value and often location.

You might live in an area where theft is more common. Perhaps you live close to bushland that may be vulnerable to fire, which makes you more susceptible to bushfire risks. You might live in the tropics, where cyclones are common. Or you might live near a river or creek that is prone to flooding.

Fortunately, the Australian general insurance market is very competitive, with a large number of insurers offering a choice of a wide range of different insurance products.

Not only does each individual and business have a slightly different level of risk but everyone will choose to manage the risks they face differently.

Every insurer will offer products that differ significantly in their coverage, their terms and conditions, exclusions and their costs.

When you are looking for insurance cover, it pays to shop around for an insurance product best suited to your particular risks. And remember, the least expensive policy is not always the one that is best for you.

Check your policy and Product Disclosure Statement (PDS) carefully to see what risks are covered and are not covered. If a risk is not specified, it may not be covered. It is important to understand if the wording of your policy means that any risk not listed is not covered, or whether your policy covers you for certain risks by default.

Managing your risk

Though insurance can play an important role in helping you manage your financial risk should something go wrong, it is still your responsibility to protect your property and minimise your risks by taking all the steps you can to make sure any potential preventable risk has been covered.

Paying an insurance premium is not a method of transferring risk away from you and onto an insurer. Insurance is a way of compensating you for the loss when an insured event occurs, provided that you have managed the foreseeable risks.

It is a condition of most insurance policies that the policyholder has taken all reasonable precautions to manage any risk to their property, and that they have declared any potential risks to the insurer at the time they are applying to take out an insurance policy.

For example, home owners have a duty to maintain their property and minimise potential risks, such as overhanging trees that may fall on their house and damage it, or blocked gutters which cannot drain water away from the building and may increase the risk of storm damage. Hail can cause a lot of damage to a roof, but well-maintained roofing is designed to resist major damage. If your roof hasn't been properly maintained, if it is rusted, structurally unsound or already damaged, it may be easily damaged by hail and cause significant damage to the interior of your house. If you then tried to make a claim on your insurance policy, you might find that claim has been denied or your payment reduced because you haven't maintained your property enough to manage this foreseeable risk. Also, houses should have effective security in place.

Car owners should regularly service their vehicle.

How does risk affect your premium?

Generally, the higher the risk, the higher the premium.

You may wish to accept the management of a small part of the risk by paying an excess. This will usually result in a lower premium than if you take out a policy with no excess because you are agreeing to pay for small claims up to the level of the excess.

To further help manage part of the financial component of the risk yourself, you might choose to pay a larger-than-standard excess in return for a lower premium (this means accepting more of the financial loss yourself), or you might feel more comfortable with a larger premium with a smaller excess payment (or no excess payment) if something does go wrong.

Unacceptable risks

There are certain risks that some insurers will not agree to cover, or may only cover for a high premium, because the chance that a loss will happen is very high. For example, this may be the case in certain areas of Australia that are considered to have a very high risk of floods.

Risky behaviour

Indulging in risky behaviour may be excluded from some forms of insurance. For example, most travel insurers will not accept claims for injuries caused by participating in the Running of the Bulls. Motor vehicle insurers are unlikely to pay out a claim for damage caused if the policyholder was drink driving at the time of the accident.

Complex risk

An [insurance broker](http://understandinsurance.com.au/insurance-brokers) [<http://understandinsurance.com.au/insurance-brokers>] may be able to help with difficult to insure risks or complex circumstances. Contact the [National Insurance Brokers Association](http://www.niba.com.au/) [<http://www.niba.com.au/>] at www.needabroker.com.au [<http://www.needabroker.com.au>] or you can call **1300 53 10 73** to find a broker in your area.