

ECONOMICS AND COSTS - INSURANCE
Specific Practice of Insurance as Affecting the Logger

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1. ESSENTIAL BASIC INSURANCES

(a) Comprehensive Machine Insurance:

Covering all heavy "Off Highway" machines, such as crawlers, haulers, skidders, loaders, etc.

(b) Comprehensive Motor Insurance:

Covering all "On Highway" vehicles, such as trucks, transporters, utilities and private cars.

(c) Public Liability Insurance:

As generally stipulated by all major forest owners and logging principals, covering the Logging Principal and his employees against Third Party (Property) claims - usually up to at least \$500,000.

(d) Contractors "All Risk" Commercial Insurance:

Covering all those ancillary items of plant, such as General Tools, Portable Plant, Chainsaws, Bush Accommodation Fuel and Oils, etc.

(e) Personal Accident and All Sickness Insurance:

Covering particularly the Principal and/or Owner/Operator where benefits from an Accident/Sickness situation would ensure continuing operation of machines, etc.

2. OPTIONAL INSURANCES (AT CONTRACTORS' DISCRETION):

(a) Machinery Break-down Insurance:

Though not yet readily written or available, it represents perhaps the next most important Insurance that must be made effectively available to the logger.

(b) Replacement Value Insurance:

Effective Market or Replacement Value Insurance related to mobile machinery is still not commonly underwritten but must in the future be given greater consideration.

(c) Loss of Profits (down time) Insurance:

Insurance has been written against loss of income arising from the destruction of private forests. Under normal conditions a contractor would be expected to build down-time arising, whatever the cause, into his contract.

(d) Group Personal Accident Insurance:

With the advent of Total Compensation for all workers, this form of insurance can now only be sighted as a bridging or supplementary consideration. This applies particularly to Workers Supplementary Insurance covering the first week of a worker's incapacity which is not covered by the Act.

(e) Money In Transit Insurance:

Automatic Bank transfers of employees' wages and salaries has today minimised the risk of loss of money in transit. However, within the logging industry there is still a strong demand for wage packet type payments of earnings, creating a need for this insurance.

3. GENERAL CONDITIONS AND SCOPE OF COVER

Within the essential insurance section there are four main categories of insurance, namely :-

(a) Comprehensive Motor Insurance:

Section I - Loss of or damage to machine from impact or accident (i.e. not including mechanical derangement or wear and tear).

Section II - Liability for Third Party Property Damage limited to \$100,000.

N.B. : Maximum (Total Loss) liability is restricted to Current Market Valuation for Business and Private motorcars and station wagons.

Maximum (Total Loss) liability is restricted to Current Market Value - up to the declared sum insured (whichever is the lesser); for all other vehicles and machines, i.e. Utilities, light commercials, trucks, tractors, skidders, etc.

(b) Public Liability Insurance:

Covers legal liability of insured to third parties for accidental damage to property caused by the negligence of insured or his employees.

(c) "All Risks" Insurance:

Covers insured property against any sudden and unforeseen physical loss or damage from any cause whatsoever.

(d) Accident and "All Sickness" Insurance:

Covers insured personally for any accidents sustained to his person resulting from violent physical means, and also from any sickness.

4. TRANSACTING OF INSURANCE

- Agents, Brokers and Insurance Representatives are all qualified to transact cover note and proposal details.
- Official (Policy) documentation is normally the responsibility of the Insurance Company (or Underwriter).
- Claim settlements are also normally the responsibility of the Insurance Company, though often conducted through an Assessor or Loss Adjuster if of a serious and technical nature.

5. INSURANCE SELECTION AND VALUATION

- Already discussed is what is considered as essential insurances for the logger.
- A "Catastrophe type" assessment should also be applied in relation to the operation (i.e. assessing a high and low Insurance Risk and Productivity Factor against all "on site" plant and equipment.

If an item of machinery carries a high insurance risk and productivity factor, then it should be comprehensively covered for maximum value.

However, to ensure a realistic rate is applied when maximum values are involved, one should consider accepting voluntary excesses of up to \$1,000 or more, where machinery is concerned.

Annual Valuations of all major plant items which are restricted to a maximum sum insured total loss settlement is recommended.

If all insurances have a common due date of 31/3, then such valuations offer up-dated information for the Accountant completing Asset and Depreciation schedules.

6. RATE AND PREMIUM ASSESSMENTS

A rate of insurance will be struck by the Underwriter upon a full assessment of all material facts (refer Section I).

When applied to the Sum Insured the premium will be computed.

(i.e. $\frac{\text{Sum Insured} \times \text{Rate}}{\text{Premium}} = \frac{\text{Premium}}{\text{Sum Insured}}$)

Conversely $\frac{\text{Premium}}{\text{Sum Insured}} = \frac{\text{Rate}}{\text{Sum Insured}}$
and $\frac{\text{Premium}}{\text{Rate}} = \frac{\text{Sum Insured}}{\text{Sum Insured}}$

- N.B.
- Some premium computations are arrived at by more complex stages.
 - Government Earthquake and War Damage is a separate charge, and levied where a basic fire contract is in force (i.e. on motor vehicle insurance, All Risks insurance).

7. GROUP INSURANCE SCHEMES

- Depending on the conditions of membership, such schemes can offer great benefits to a logging contractor.
- One would normally expect to find a very competitive rating system applying within a group scheme.
- There are usually servicing and annual review arrangements available, relieving the logger of this complexity.
- Perhaps, most important of all, claim settlements are usually on a much more effective and satisfactory basis.

8. RISK MANAGEMENT

"Good Housekeeping" within a factory complex plays a vital part in modern risk management. So also it must be out in the forests, on or about the skid-ways and, most important of all, on and about our stationary and mobile machinery.

The most common insurance claim today is fire in machinery.

In most instances these fires are initiated from isolated over-heating or electrical fusion, arcing, etc. However, through poor "Housekeeping" (usually in the form of foreign combustibles, like twigs, needles, grease and oil in battery boxes, sumps, etc.) small isolated fires were able to generate into major fires.

9. CLAIMS

- Any accidents that might result in an insurance claim (including third party issues) should be immediately notified to the Insurance Company, and a claim form completed.
- Always acquire full details of a third party and never admit responsibility.
- If a claim is of a serious and complex nature, then an Assessor would normally be appointed.

- A prudent insurance company would ensure that an experienced heavy industrial assessor is always appointed where large "Off Highway" machines are concerned.
- If a damaged machine is cited as a "constructive total loss" (i.e. where the cost of repairs is greater than the salvage value) then a total loss settlement will be made and the salvage disposed of by the insurance company.

N.B. Where, however, the policy is subject to a maximum sum insured settlement and this figure is lower than the current market value of the machine, then the insured has the right to retain the salvage.

