

UAA HAS MELROSE CRANES COVERED

UAA's chief services officer, George Grasso, who have been providing insurance coverage to Melrose Cranes for over 16 years talks about fleet value and risk factors in cranes

GEORGE GRASSO EXPLAINS HOW

important it is to know the value of your fleet and how different cranes have higher risk factors.

"We've been working with Gregg Melrose, his brother Tony and now Ryan for over 16 years," said Grasso.

He explained how they work through their insurance brokers Sandersons, providing extensive cover for Melrose Cranes across all of their policy sections, from damage to hiring plant to financial loss and liability.

"We provide the cover for the fleet, including the mobile cranes, all terrains, crawlers, Frannas, Tidds and the trucks and trailers that work with the fleet," he said.

Grasso explains that Melrose (Gregg) has a strong, direct relationship with UAA, and if ever there were any questions or any problems, they would respond "any time of the day, any time of the week".

"We have a great relationship and, as he increasingly hands the running of the business to his son Ryan, UAA is building a similar strong relationship with Ryan also," said Grasso.

Grasso reckons he has witnessed most of the mistakes made in the crane sector but the same one crops up all the time, managing expenses.

"When a crane business grows, it needs to plan the expense and incomes lines.

We find businesses grow generating more income but it's easy to drop the ball when it comes to the expenses," he said.

"A crane owner can feel 'fat and happy' during the peaks because he's making money, but expenses are increasing as well and insurance premiums can be a significant cost, so it's important to manage these carefully without jeopardising cover," said Grasso.

According to Grasso, your knowing the value of the cranes in the fleet is the key. He explained that one of the calculating factors of their premiums is how much the client actually wants to insure the machine for. They nominate the sum insured and their basis of settlement is "market value plus", which provides a 15 per cent buffer for a worst case scenario.

"Every year, and before his renewal is due, Gregg Melrose specifically looks at the true value of his machines because he knows if his numbers are too high, he'll pay for it in premiums unnecessarily. But it is also important not to insure for under the market value otherwise you are exposed to 'underinsurance' clauses. If he bought a crane three years ago for \$1.5 million and that crane, just prior to renewal, is now worth \$1.25 million, he will ensure he changes the value in his policy. He knows it will make an impact on his premium and he's reducing his costs. This obviously depends on

claims history etc. but Melrose does this exceptionally well."

An item, two years old or less is insured for the full replacement value because that is what UAA offer as settlement. UAA will offer a full replacement of a crane if it is within the first two years of purchase and deemed to be a total loss. After the first two years have passed, Market Value depreciation comes into play as normal.

Understanding the true value of a crane can make a huge difference to the bottom line.

HERE'S AN EXAMPLE OF HOW MARKET VALUE PLUS WORKS.

If the crane is within two years from new, the indemnity is New for Replacement (subject to terms and conditions).

If it is greater than two years, then indemnity is Market Value Plus.

Market Value Plus is if the crane's determined market value is within 85 per cent of the nominated sum insured, then the indemnity becomes the full sum insured, nominated on the policy.

If the determined market value is below 85 per cent of the sum insured, the indemnity is the deemed market value "plus" 15 per cent.

Here's a practical example of how Market Value Plus works.

Crane Sum Insured for \$100k on the policy.

At the time of total loss, the market value is deemed at \$75k (under the 85 percent).

Indemnity is then \$75k + 15 per cent = \$86,250.

If the market value is deemed at \$88,500 (greater than 85 per cent) indemnity is then the full nominated sum insured on the policy, which would be \$100,000 in this case.



UAA covers the Melrose Crane fleet and the transport that goes with it

Grasso mentioned there had been scenarios where Melrose has incurred a total loss and his nominated amount insured was spot on. He explained that when UAA got the valuations done on the machine to determine the true market value, Melrose had already done his homework to make sure the number is right.

"It's not over or under insured, it's right on the money and therefore he's paying for what he's truly going to get," said Grasso.

Growing crane businesses don't always pay attention to market values.

"Time and time again, and particularly with growing businesses, we will see a new machine bought for, let's say \$1.5 million, and five years later the sum insured on their policy is still \$1.5 million because they haven't reviewed it with their broker," he said.

"The obligation is on the client and the

broker to ensure the number against the machine is the right number every year. When there's a total loss, the client has the perception they are going to be paid \$1.5 million when that's not reality. We are paying Market Value Plus and the machine might only be worth a \$1 million."

"Customers are always buying new and selling old cranes and occasionally we see a scenario where they forget to tell their broker, and start using and operating it. UAA provides a 60 day term where, if you forget to tell your broker, we'll cover you for up to \$250,000, and this limit can be increased at the time of policy renewal," he said.

"It's the same when you sell the machine. It's important to get the machine off your list of inventory because you are technically paying premiums on a machine you don't own anymore.

"Clients need to be more mindful of this. As the business grows and you buy

and sell equipment, keep your broker up to date with fleet developments. That way you are only paying for what you own and operate, ensuring you are get the right cover at the right premium," he said.

All cranes are rated differently, because they have different risks.

"At UAA, we recognise articulated pick and carry cranes at a relatively high risk.

"They haven't had the in built safety features like other types of cranes," he said.

"However, we do recognise that new safety technology is being implemented on the various brands in the market, which is fantastic, but our position isn't going to change too quickly," said Grasso.

"We're not going to jump the gun and say 'there's new safety technology in place so we'll start reducing our premiums.'

Over the next couple of years, we will see how this technology impacts the market and we will watch how it impacts on the risk factors," he said. ●

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