



A FOCUS ON

# Transport and Logistics

# The journey to a safe, sustainable and profitable future has never been more difficult to navigate

Transport and logistics is a sector that already deals with low margins and countless difficulties throughout the supply chains with 2020 and beyond presenting a new raft of challenges.

Fierce competition is driving a 'race to the bottom' environment for contracts. The question is, how long will this trend continue and how sustainable is this business.

Equally, there is a movement for standards to be lifted throughout the sector. Chain of Responsibility (CoR) compliance and safety practices are very much in the spotlight and will continue to be, which is ultimately for the betterment of the sector.

We are seeing very strong links between organisations who invest and promote safety culture and their ability to attract and retain quality talent. In our experience those operators who have strong safety and people culture, have less Lost Time Incidents / Injuries (LTIs). This can positively impact the financial performance of the business as you have less down-time and associated expenses, and lower workers' compensation premiums as you tend to have less claims; both of these costs can represent a substantial sum of money.

Certain experts are predicting that while freight task movement is expected to grow across Australia, industry revenue growth will be limited to only 1.6%\*. Profit margins will continue to be squeezed and there will be increased operational costs (such as fuel, labour, etc.), meaning managing your cost base is increasingly important.

Technology and automation remains topical as the operational efficiencies continue to be realised, but it does come at a cost. Integration and adoption of automated processes appears to be a top down phasing into the industry as larger organisations have a greater ability to deploy capital for such equipment. Will the future belong to those who can invest today to capitalise on the lower operational cost base needed for tomorrow?

Warehousing is an increasingly challenging link in the supply chain, particularly for those who offer cold storage solutions. Operational efficiencies through technology are again clear yet expensive, and the broader operational costs associated with the design/construct and operation of a warehouse are increasing\*.

*For example in our experience lower cost construction materials such as expanded polystyrene (EPS) sandwich panelling that provides initial cost savings are attracting significant insurance costs for both the premises and for the protection of the goods within them, due to the highly flammable nature of its material.*

Last mile delivery is an ever-increasing challenge for the sector\*. High operating costs, traffic congestion and a largely monopolised space makes it a challenge. Adding to this equation is an increase in consumer demands as the end user's buying mentality seeks free delivery and as close to same day delivery as is available. This is largely driven through retailers who themselves are looking for a competitive advantage and look to the supply chain to offer a solution to increase their own brand awareness to their end customers\*.

**All of this combined means an increased squeeze to the logistics sector in Australia.**



\*Source: IBIS world Industry Report Integrated Logistics in Australia

## Specialists in Transport and Logistics, risk, safety and insurance consulting

We understand the broad spectrum within the integrated supply chain; we strive to provide meaningful industry insights into this complex risk landscape that enables our clients to make educated decisions relating to safety, operational risk and people challenges.

Throughout this document we demonstrate various services and products, including those specifically designed for the Australian transport and logistics sector and offerings unique to Aon.

Aon is extremely proud of its extensive involvement with the transport and logistics community. Our expansive metropolitan and regional network has given us a presence and reputation in the vast Australian sector specialising in all facets of the supply chain.

**\$2.3B**  
**(AUD)**

+ of insurance premium placed into the Australian insurance market with local insurers

**37** offices & branches through Australia

**1,800+**

staff in Australia

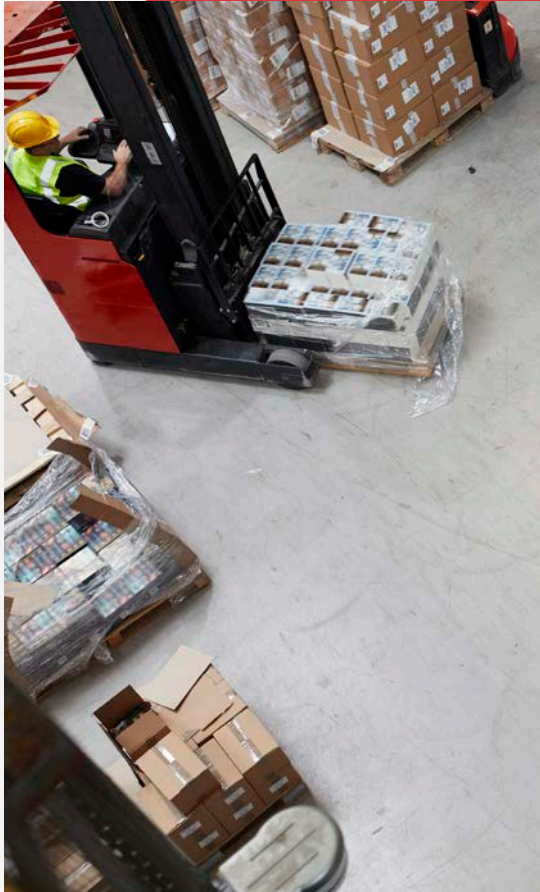
**\$50M+**

Australian premium output for transport and logistics clients



Aon Australia





**Through our vast regional, metropolitan and global network, Aon services more than 1,000 transport and logistics clients throughout Australia.**

These consist of:

- Owner drivers
- Small to medium (rural & metropolitan)
- Bus & coach operators
- Freight transportation
- Freight forwarding
- Courier services & last mile specialists
- Warehousing specialists
- Rail operators
- Port operators
- Medium to large private businesses (specialised and general freight)
- Large, multinational & diversified operators

## Key client statistics



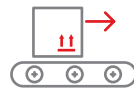
**200+**

Medium / large / multinational freight & logistical specialists



**10+**

Port operators



**10+**

Specialist warehouse & storage operators



**30+**

Medium to large bus & coach operators



**17+**

Rail operators



# Transport and Logistics Top 10 Risks

Since 2007, Aon has conducted a biennial Global Risk Management Survey (GRMS) that has become one of our most powerful insight measures across industries, globally.

## Top 10 risks identified in 2019

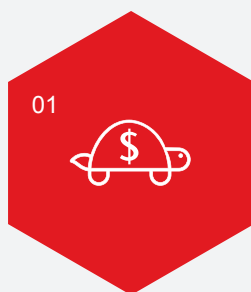


Source: Aon's 2019 Global Risk Management Survey

# Looking ahead to 2022

The GRMS provides a comprehensive view of how an organisation's key risks and challenges compare to similar companies from more than 60 countries and 33 industries and ultimately this data supports our efforts to help clients reduce volatility and increase performance. This year, the report was informed by more than 2600 respondents.

## Projected top 5 risks in 2022



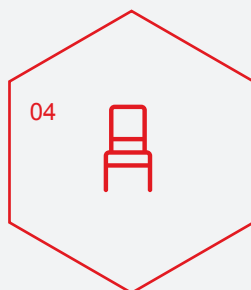
Economic Slowdown /  
Slow Recovery



Cyber Attacks  
/Data Breach



Accelerated Rates of  
Change in Market



Workforce Shortage



Failure to Innovate  
/Meet Customer Needs

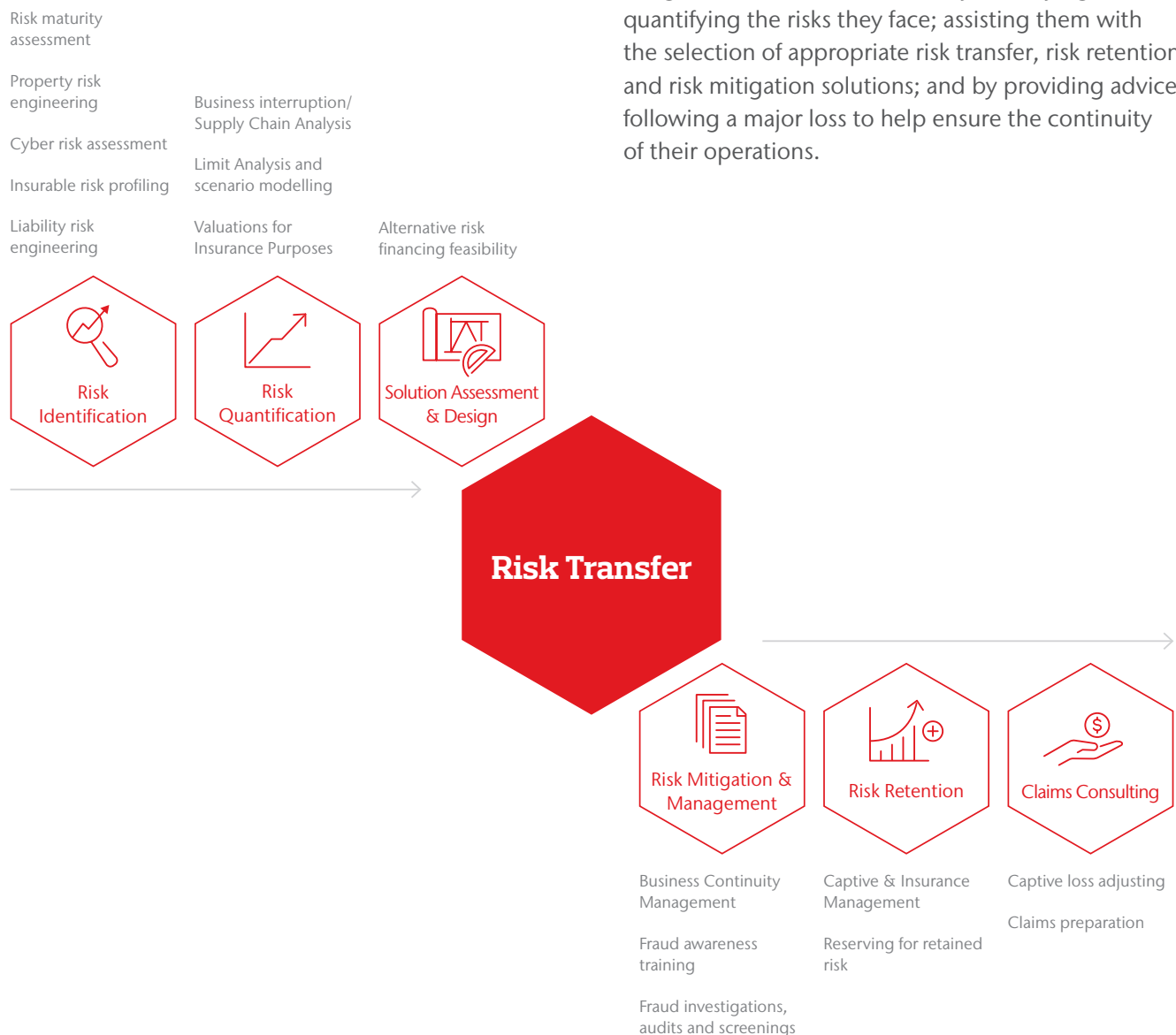
Across the firm, we continue to invest in our data and analytics to provide value to our clients, and enable them to make educated, not subjective commercial decisions regarding risk.

# Risk Management Consulting

In our experience most organisations understand that good safety practices result in less injuries / less LTI's, fewer workers' compensation claims and reduced costs to their business.

The same principal applies to risk management. The stronger your risk management framework is, the better protected your balance sheet is allowing you to reach your organisational and financial targets.

Aon Global Risk Consulting provides solutions to help our clients understand and improve their risk profile to increase profitability and protect their interests. We harness data and insights globally and apply them locally - empowering our clients with real results. We give our clients confidence by identifying and quantifying the risks they face; assisting them with the selection of appropriate risk transfer, risk retention, and risk mitigation solutions; and by providing advice following a major loss to help ensure the continuity of their operations.





# Driving Growth through Innovation

It's no surprise that in 2017 the transport and logistics industry had one of the highest rates of injury and claims in Australia given its size and the nature of work entailed\*.

Mental and physical health, musculoskeletal disorders and general 'at risk' activities all threaten the health/wellbeing, safety and productivity of your employees.

Aon's Safe Together program has been designed through a collaborative effort between our Workplace Health & Safety (WHS) and transport and logistics experts.

## What is Aon's Safe Together program?

Aon's Safe Together program is a tailored program that brings the expertise of our best WHS and transport and logistics specialists to you, in a face to face program conducted over one or two days.

As a part of the program, we will walk you through a comprehensive risk diagnostic and corrective actions coaching process. The program has been tailored to suit the specific needs of the transport and logistics industry and includes a review of key risks that operators face.

## Program inclusions

### WHS HEALTH CHECK

- WHS systems and processes
- WHS Hazard management practices including
  - Musculoskeletal injuries
  - Working at heights
  - Mental and physical health
  - Traffic management
  - Ancillary (non-driving) tasks
  - Behavioural and cultural elements influencing driving and non-driving activities
  - Ageing workforce and related organisations factors
- Culture and leadership factors related to WHS and operational improvements

### WORKERS COMPENSATION PERFORMANCE REVIEW

- Premium performance
- Claims performance
- Policy structure and compliance

\*Source: [https://www.safeworkaustralia.gov.au/system/files/documents/1709/em17-0212\\_swa\\_key\\_statistics\\_overview\\_0.pdf](https://www.safeworkaustralia.gov.au/system/files/documents/1709/em17-0212_swa_key_statistics_overview_0.pdf)

## Comprehensive risk diagnostics and coaching



› We offer a holistic, inclusive approach to promoting and embedding a top-down safety culture throughout your business with the aim of achieving excellence in risk and safety, maximised efficiency and profitability.



# Recruiting Safe Commercial Drivers

Commercial drivers – whether they drive a train, truck, bus, ferry, delivery van or a forklift – are responsible for the safety of their passengers or cargo, and their vehicles.

If you recruit drivers, you'll undoubtedly check whether job candidates have the necessary driving skills and the required licences or certificates. You may even conduct medical and eyesight checks. **But can you be confident those individuals will drive safely?**

## 13x

Truck driving is considered one of the deadliest jobs in the country and truck drivers face 13 times the risk of dying at work than other Australians\*. The impact on both productivity and profitability is immense, with increasing pressure on slim margins. Not to mention the personal toll on the individual, co-workers and families affected.

Drivers suffering from inattentiveness, fatigue or stress, or under the influence of alcohol or drugs, can cause serious or fatal injuries.

The best risk management strategy is to prevent accidents from occurring in the first place, rather than trying to deal with the consequences. It may be possible to do this when recruiting drivers, as new psychometric assessments can predict whether an individual has the propensity to cause accidents. These assessments measure an individual's competencies and disposition, and they predict whether that person will be a safe driver who is able to deal effectively with the challenges they'll face.

Aon has a range of assessment solutions - from simple off-the-shelf selection tools through to customised assessment processes. In all cases, they objectively measure the skills, abilities and personal characteristics that will predict job performance, behaviour and retention.

\*Source: <https://www.monash.edu/medicine/news/latest/2018-articles/monash-study-most-dangerous-job>

146.6 km  
LONGEST STRAIGHT ROAD  
MILE STRAIGHT



# Aon's Logistics Combined Liability Policy

The integrated supply chain is a complex series of components working together to deliver an end-to-end service and customer experience.

**At its best, it is fluent and seamless. However, should one component fail, the impact to the supply chain and the end customers can be catastrophic creating:**

- Delay in service delivery
- Loss or damage to cargo
- Consequential loss
- Brand and reputational damage
- Insurance claim costs

Traditional transport & logistics insurance is like a failed supply chain. Where a loss occurs in the supply chain dictates which insurance policy will respond and on what basis. Transport and logistics operators commonly experience unsuccessful insurance claims.

If you consider your own insurance program – while the complexities of your business have evolved over time, evidence would suggest that you still buying the same insurances you did ten years ago.

You may have a marine cargo or carriers liability policy covering cargo, but only while that cargo is in transit. If you store cargo or have cargo warehousing activities, then you may need to buy a separate Property policy for that (yet contractually, your exposure or liability to Cargo remains the same). Public liability is an insurance everyone must purchase under any contract you sign, yet again another insurance.

**If transport and logistics insurance is guilty of one thing, it's a failure to innovate!**



## Aon Logistic Combined Liability (LCL)

Working with several clients, Aon has developed the logistics combined liability product. A product that combines all the insurances mentioned above under a single product, helping to ensure seamless protection for your operations throughout the supply chain.

This is an absolute first of a kind product and may be appropriate for all within the supply chain. Our goal was to design an insurance product that compliments the supply chain (and those within it).

### Benefits of LCL include:

- Consolidation of the insurances you are required to purchase
- Multi-insurance-line leverage with a single insurer
- Support of specialist transport and logistics brokers and insurers
- Experienced claims service

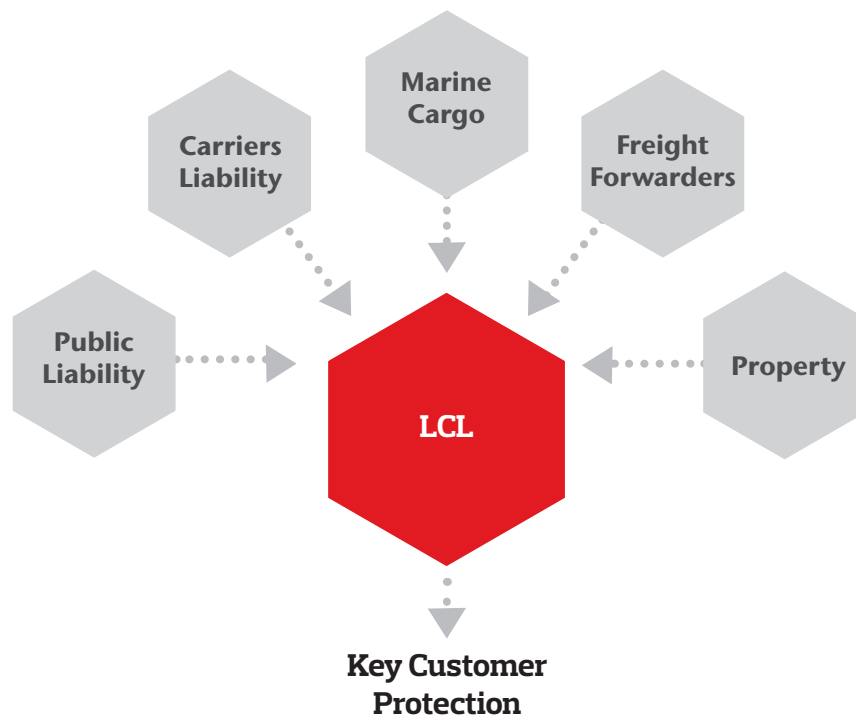
## Insurance that adds value – LCL specified customers

In addition we understand the challenging competitor environment in which you operate and the importance for you to protect your key customer contracts.

This product has been designed with the ability for you to specify and ring-fence key customer contracts and provide them with an increased level of insurance protection.

This enables you to operate with the confidence that your key customers and your balance sheet are protected through specialised insurance solutions.

Speak to our team today to learn more about this unique Aon offering.



# Other Important Insurances



## Workers' Compensation

Workers' Compensation is generally one of the largest insurance spends for operators. Our Safe Together program includes a complete workers' compensation assessment that is aimed at:

- Ensuring you have an optimum workers' compensation program structure and are not paying too much in insurance premiums.
- Identifying any trends within your claims experience and linking that to operational practices – this helps us to work with you on the root cause of an issue rather than just focus on 'insurance'.
- Capitalising on various risk management funding that may be available to you as part of your insurance spend.



## Motor Vehicle Insurance

Motor vehicle insurance, be it heavy vehicle or light, could largely be considered as dollar swapping with insurers:

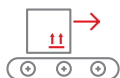
- Claims go up > premium goes up
- Claims go down > premium goes down

Yes, brokers can help you with understand how your organisation is best to structure a motor program (i.e.: conventional structure vs aggregate, what deductible should you carry), but none of these services are new or innovative.

Aon is invested in adding value to our clients, that is why we offer motor claims analysis services.

**The benefit:** Lower total cost of motor program by identifying the most obvious areas for improvement in claims performance.





## Safety Hazard Environmental Liability Insurance

A change in the legislative environment through chain of responsibility is highly topical, particularly the need for stronger management, visibility and control of processes, procedures and recording of such. Executives and managers alike must be diligent and take positive steps to be well acquainted with and accountable for their operations or they can personally be held liable with violation of regulation potentially resulting in:

- Maximum 5 years in prison
- \$300,000 individual fines
- \$3,000,000 company fines

In addition to this, transport and logistics operators are subject by multiple pieces of legislation (HVNL, workplace health & safety, etc.) and exposure to environmental liabilities from both an operational and legislative perspective are very real everyday risks.

**Aon's unique solution:** Exclusive combined statutory liability, workplace health & safety and environment incident response policy, captures all of these insurable exposures under a single product. To summarise, this unique solution is a three part policy covering:

**Part 1:** Statutory liability (including employment practices liability and other legislations such as HVNL)

**Part 2:** Work health & safety liability

**Part 3:** Environmental liability



## Cyber Insurance (Liability and Business Interruption)

Cyber insurance can often be considered as purely data protection. For transport & logistics operators, cyber means something very different. For those with any form of automation in any of their processes the exposure is the business interruption caused if those systems shut down or fail to operate as a result of a cyber event.

This exposure is not covered by traditional insurance and yes, this is a cyber insurance type risk.

If you have or are considering implementing automation into your processes, speak to Aon to understand what your exposures are and make an educated decision on how to protect your business.

# Contact

**Mark McNab**

National Practice Leader - Transport and Logistics

+61 3 9211 3126

mark.mcnab@aon.com

[aon.com.au/transport](http://aon.com.au/transport)

---

## About Aon

Aon plc (NYSE:AON) is a leading global provider of risk management, insurance brokerage, reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 72,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative risk and people solutions.

For further information on our capabilities and to learn how we empower results for clients, please visit:  
<http://aon.mediaroom.com>

© 2019 Aon Risk Services Australia Limited (Aon)

ABN 17 000 434 720 | AFSL 241141

The information contained in this document is general in nature and should not be relied on as advice (personal or otherwise) because your personal needs, objectives and financial situation have not been considered. Before deciding whether a particular product is right for you, please consider your personal circumstances, as well as the relevant Product Disclosure Statement (if applicable) and full policy terms and conditions available from Aon.

IPHE0001 0419

