

The Rosser Roundup

NEWS, VIEWS AND OPINIONS ON INSURANCE AND BUSINESS

ROSSER

QUOTE OF THE MONTH

"If you had to identify in one word the reason why the human race has not achieved and never will achieve its full potential, that word would be 'meetings'."

- Dave Barry



Chris Lynch
Acting Chief Executive

View From the Top

Dear Broker Partner,

Having filled the "hot seat" at Rosser for the past few months, following Murray Rosser's resignation as Managing Director earlier this year, I am delighted that in a week's time Ryan Clark joins us as Executive Director of the company.

Of course, there will be a transition period as Ryan settles into his new role, but the entire Rosser team is looking forward to having him on-board and sharing his experience and expertise.

In next month's edition of *Rosser Roundup*, we will acknowledge Murray's foresight in establishing Rosser Underwriting and his departure from daily involvement in the business, although he remains a shareholder and director of the company.

While discussing Rosser team issues, it is appropriate to record our disappointment at the exit of Kieran McCormack, our National Underwriting Development Man-

ager. We are very appreciative of Kieran's contribution and his hard work over the four years he has been with Rosser and now look forward to an ongoing relationship with him in his new role in the broking world.

The New Zealand and world economies are going through considerable upheaval at present and are not being assisted in any way by the war in Ukraine. However, our industry has remained resilient through the severe disruption caused by the Covid-19 pandemic over the past two years, so I am sure we will all weather this financial storm too.

The Rosser team is here to assist you with prompt, friendly, personal service and I'm sure you will soon see and welcome further enhancements under Ryan's leadership.

Warm regards
Chris

May 2022

In this month's edition

- P2 Managing data breaches**
Insights from Chubb
- P3 March flood costs total near \$80m.**
More weather claims data from Tim Grafton, ICNZ CEO
- P4 Higher interest rates – rising recession risk**
Economist, Cam Bagrie says risk is back on the table
- P5 Rosser team changes**
Update on comings and goings at Rosser
- P6 Seismic design risks**
Wotton + Kearney outline risks for builders, professionals & insurers
- P7 IANZ Broker conference**
First conference held since Covid in 2020
- P9 Broker in the Spotlight**
Jake Thomas from Rothbury's in Ashburton.
- P10 Support for Sport**
Our May \$1000 donation heads south



Managing Data Breaches

Insights from CHUBB on reducing cyber risk and responding to a data breach.

Please share this information with clients who may be vulnerable to cyber risks.

Managing Data Breaches

All businesses with an online presence face a range of cyber risks. Prominent among them are data breaches, which constitute a class of vulnerability that the public is particularly concerned about, especially in light of high profile data breaches like that which affected Facebook in 2018.

There's no way to eliminate cyber risks but there are a variety of measures that can help businesses manage and mitigate risks.

Reducing the risk

As with so many other risks, the best way to manage cyber risks like data breaches is to reduce the risk and exposure as much as possible. Reducing the risk protects a business and its customers and clients from having their data compromised while reducing the exposure protects a business from the consequences of data breaches.

A cyber liability insurance policy may assist in reducing exposure following a cyber incident. Reducing the risk is best accomplished by implementing the security measures that best suit the business and the type of data being held. Unfortunately, there isn't a global standard or a solution that suits all organisations.

Regardless of which security measures are chosen, it's vital that security products and services be continuously monitored and kept up to date.

Businesses must also take steps to ensure basic cyber safety practices are implemented. This includes measures like good password practices and employing data encryption where relevant. This won't create a fool-proof system that eliminates the risk of a data breach occurring, but it will significantly reduce the risk.

Responding to a data breach

In addition to implementing practices and procedures that prevent data breaches, a good data breach risk management strategy will include guidelines that should be followed in the event a breach does occur. Such guidelines should specify whether IT, PR, legal etc. professionals need to be engaged and should also cover protocols for:

1. Containing a breach and limiting further damage

including protocols for shutting down and preventing further access to a system that has been breached.

2. Assessing the risks associated with and impacts of a breach

Including the impacts on the business, such as whether compromised data will affect other business processes or relationships with third parties, and the impacts on the business's customers, such as the number of people affected and the nature of the data that was compromised.

3. Reporting a breach

Who needs to be notified, when and how they should be notified and what information they need to be given.

4. Rectifying a breach

Including procedures for attempting to recover lost data and restarting compromised systems.

5. Assessing the effectiveness of the response and preventing future breaches

Including protocols for: determining whether criminal activity, human error or inadequate procedures contributed to the breach; evaluating any operational, policy, resource, employee or management issues that arose during the response to a breach; and modifying any procedures or behaviours that contributed to the breach

Summary

Managing cyber risks like data breaches requires an integrated approach designed to:

- Prevent an attack
- Limit the exposure
- Respond to an incident in the event prevention fails.

Chubb only provides information and does not consider a potential insured's objectives, financial situation or needs. To decide if any product is right for your clients please refer to the relevant policy and obtain financial advice if necessary.

Provisional data reveals March flood costs near \$80m

Extreme weather events continue to dominate the news



Tim Grafton
Chief Executive
Insurance Council of New Zealand



Provisional insurance claims data collected over 21-29 March 2022 for the torrential rain, thunderstorms and flash flooding that affected much of the top half of the North Island, but were particularly focused across Auckland, have been announced.

In total, 7,647 claims worth an initial \$79.614 million have been recorded comprising 5,634 domestic, 1,310 commercial, 588 vehicle, 51 business interruption and 64 other claims.

"Climate driven extreme weather events continued to dominate the news earlier this year with February's Cyclone Dovi's provisional claims coming in at \$44.4 million off the back of a record year for such claims in Aotearoa in 2021 at \$324 million," said Insurance Council of New Zealand (ICNZ) Chief Executive, Tim Grafton.

More recently, the focus has been on badly affected coastal communities, especially in Tairāwhiti, where there were fewer than 100 insurance claims for this event, and on the publication of new sea level rise data.

However, the claims arising from March's storms underline the fact that it's not just coastal and rural areas that are badly affected by storms and flooding.

"As we've seen repeatedly in Auckland, dense urban areas that are highly paved, and where storm-water systems evidently prove inadequate, lead to the misery of flooding for many families and businesses and ongoing flood risks and costs for them and insurers", said Grafton.

"Taking action to reduce these risks through how we build and maintain our cities as climate change impacts like these events become more frequent and severe is essential.

At risk urban communities should be just as concerned about this as coastal communities are about sea level rise.

"Pro-active, co-ordinated action to reduce the risks of climate change must be given much higher priority than it has been," said Grafton.

ICNZ Insurance Council of New Zealand
Te Kāhui Inihua o Aotearoa

Higher interest rates and rising recession risk

Risk is back on the table, with central banks less of a backstop

Economic commentary from **Cameron Bagrie**



Cameron Bagrie
Managing Director & Chief Economist
Bagrie Economics

Is the penny starting to drop?

That is the question I am asking myself given how far 5-and 10-year bonds have moved in the past three months, and corrections across asset prices including equities and property.

The finger is pointed at inflation, necessitating higher interest rates and rising recession risks. Taming inflation is not growth or asset price friendly.



The Nasdaq is down 30 per cent from its peak, at the time of writing, a victim to removing cheap money. The Dow Jones Industrial Average is down 13 per cent. New Zealand house prices are down 6 per cent from November 2021. Anecdotes point to larger falls.

Asset prices move in a cycle. They can retreat from highs. But maybe this correction is different.

For decades, investors had it exceptionally good.

Interest rates declined over a sustained period, boosting asset prices. Wealth surged courtesy of capital gains.

Global challenges over the past two decades have been met with a central bank response. Central banks delivered the “put”. Any weakness was backed up by somewhat of a get out of jail free card in the form of more monetary policy stimulus.

Validated by low inflation, central banks poured more petrol on a wealth creation asset-price fire.

It is like attending to a crying child by offering a lolly as a pacifier. Eventually you create a problem in the form of rotting teeth and the expectation of more candy becomes embedded.

Taking risk appeared implicitly to have a central bank insurance policy. The environment looks to have changed.

Major changes

Firstly, interest rates have moved up. The movement up in the 5- and 10-year bond in the past 12 months is the largest we have seen since the early 1990s.

Secondly, neutral estimates of interest rates will start rising soon. Neutral interest rates are where central banks see monetary policy as neither having the foot on the accelerator or the brake. Actual rates fluctuate around the neutral rate. Lower neutral rates allowed actual interest rates to fall too and people to become conditioned to a lower interest rate world.

The Reserve Bank’s mid-point estimate for the neutral Official Cash Rate was around 2 per cent in February, effectively zero once inflation adjusted, a number that seems implausibly low. Back in 2000, it was closer to 6 per cent. I suspect the neutral rates being used are too low.

Third, central banks face a difficult inflation environment. We have a supply shock, excess liquidity, and intense cost-push pressures from diminished labour availability, climate change and the rising influence of government.

Higher interest rates, rising recession risk - continued

The world is becoming less globalised and connected. Inflation means central banks can no longer offer the “put”. Their mandate is inflation, and they have an inflation problem.

Fourth, we now have less negative yielding debt as interest rates rise. Negative yielding debt hit around \$16.5 trillion in 2021. It was absurd. How do you price risk when interest rates are negative?

Fifth, the world’s most powerful central bank – the US Federal Reserve – is starting to cut their bond holdings by \$95 billion a month. They have a long way to go with \$9 trillion balance sheet, but every journey starts with the first step.

I could go on with more changes, but the crux is simple.

Central banks over-stimulated for an extended period, validated by low inflation. Asset prices were the winner. Low interest rate diluted risk and compensation for risk narrowed.

“THE COMBINATION OF CHALLENGING ECONOMIC CONDITIONS AND INFLATION IS NOT GREAT FOR POLITICIANS EITHER”

We have an inflation problem and central banks, aware their credibility is on the line, are responding. Markets are pricing in an aggressive rise in interest rates, an example being a 375-basis point rise in the Official Cash Rate in New Zealand (125 basis points so far done). Interest rates will still be low, that is a big move.

Collision course

Containing inflation carries costs including rising unemployment and falling asset prices.

Will central banks follow through or buckle? Eyes are on credit markets. If they react adversely, central banks could be in a bind, facing sticky inflation and financial system problems. Modest falls in asset prices will not concern central banks. It is different if it flows into credit markets.

The combination of challenging economic conditions and inflation is not great for politicians either. There could be a temptation to shift inflation targets.

In the meantime, risk is back on the table, with central banks less of a backstop.

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Rosser team changes

We are pleased to confirm an upcoming change at the executive level of the company but regret to advise of a departure from our management team.

Ryan Clark
(Incoming Executive Director)



Ryan Clark, currently Head of Property & Casualty at Chubb New Zealand, is joining Rosser as Executive Director of the company.

Ryan takes up the reins from the founder of our business, Murray Rosser, who is retiring from active involvement but remains a shareholder and director of the company.

We are delighted to welcome Ryan to the company and look forward to him starting with us on 7 June.

Kieran McCormack
(former National Underwriting Manager)



Kieran left Rosser mid-month to take up a position as a broker. Everyone at Rosser enjoyed working with Kieran and all were sad to see him leave. We wish him every success and look forward to continuing a relationship with him in his new role in the broking world.

A new appointment will be made but in the meantime, brokers in Kieran’s region should send quote requests or queries to central@rosser.co.nz.

Seismic design and construction risks

Litigation regarding earthquake-prone buildings set to continue for some time

Legal article from Wotton+ Kearney
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The Canterbury earthquakes of 2010-11 and the more recent Kaikoura earthquakes in 2016 have triggered significant enhancements to New Zealand's building regulatory framework.



The New Building Standard (NBS) regime is a well-known advancement in this space and is proving to be a catalyst to numerous claims.

The NBS regime

On 1 July 2017, the Building (Earthquake-prone Buildings) Amendment Act 2016 (the Act) introduced the NBS regime to manage risks with earthquake-prone buildings (EPBs).

This regime requires buildings to be rated as a percentage of the current earthquake standard for the building. Structural engineers determine the NBS rating of buildings by performing detailed seismic assessments (DSAs). A building is deemed an EPB if it is rated below 34% of NBS.

Owners of EPBs are required by law to perform strengthening (or demolition) works within a set period depending on the risk profile of the building. It is also a common condition in commercial leases and sale agreements for buildings to achieve an agreed NBS rating.

Recent developments

In February 2022, the Ministry of Business, Innovation and Employment reported that, as of 30 June 2021, local councils had identified 4,146 potential EPBs, and determined that 1,736 of them are EPBs.

Structural engineers are increasingly being engaged to prepare designs to strengthen EPBs. This trend will likely continue for the foreseeable future given more EPBs will likely be found in the coming years, and they will need to be strengthened within the applicable timeframe prescribed by the Act.

Health and safety (and moral) obligations could also cause EPBs to be strengthened sooner than required.

Risks for builders, professionals and their insurers

Where buildings do not comply with the NBS rating applicable when they were designed and constructed, claims are being made against the structural engineers and peer reviewers involved with the original design and construction (if not time-barred). These claims are for the cost of upgrading the buildings to make them compliant with the 'standards of the day'. Building owners often take the opportunity to upgrade their buildings to up to 100% of NBS, which can make assessing the proper quantum of such claims challenging.

Where construction defects are in play, such claims will typically also name contractors and those undertaking observations of the construction work.

Continued...

Statutory Liability – Trends in Health and Safety enforcement (continued)

Structural engineers could be liable for negligent misstatement and/or misleading and deceptive conduct under the Fair Trading Act 1986 (FTA) if they falsely state the NBS rating and/or Building Code compliance of their work by issuing reports (e.g. DEAs), producer statements, and/or certification documents.

The quantum of these claims is commonly in the millions of dollars because seismic strengthening work tends to be invasive and triggers various consequential losses, such as loss of rent.

Mitigating risk

It is important for professionals writing reports to ensure their contracts effectively exclude or limit liability in contract, tort and, if possible, the FTA.

Section 5D of the FTA will allow parties to contract out of the FTA if:

- the contract is in writing
- the services are supplied and acquired 'in trade'
- all parties to the agreement are in trade, and
- it is fair and reasonable for the parties to be bound by the contract.

However, contractual terms cannot exclude or limit tortious liability to third parties, and so even if a professional has no (or limited) contractual liability to its client, there is always a risk that it will be found liable in tort (negligence) to third parties it did not contract with.

This article is intended to provide commentary and general information. It should not be relied upon as legal advice. Formal legal advice should be sought in particular transactions or processes or on matters of interest arising from this publication.

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First broker conference held since Covid arrived in 2020



Rosser and Chubb combined forces to attend the Insurance Advisernet Conference held in Rotorua last month. This was the first broker conference held since 2020, with many previously planned broker group events being cancelled due to the impact of Covid-19 and associated lock-downs.

At the Chubb/Rosser stand at the conference Trade Show, brokers had the opportunity to choose a charity to win a \$500 donation in a lucky draw. The winning charity was Surf Lifesaving New Zealand, nominated by Dave Wells, from Wells, Everett, Wynn Ltd of Wellington.



Rosser delegates at the IANZ event: L: Andrew West, Head of Underwriting and Tibi Beck, Auckland Underwriting Development Manager



The Chubb team at the conference: From L to R: Andrew Brooks, Country Manager, Euan Osborne, Senior Underwriter for Cyber and PI, Ryan Clark, Head of Property and Casualty.

Broker in the spotlight

Entering the workforce after the 2011 Christchurch Earthquakes, **Jake Thomas** started his career in the construction industry, quickly becoming a Project Manager for a firm specialising in earthquake and insurance repairs. The role provided him with a thorough understanding of fire and general insurance.

He later transitioned into a business development position with a construction machinery company, which gave him a real taste for a sales role. A couple of years later, Jake's fiancée was offered a job too good to pass up, so the couple decided to make the move south to Timaru.

In January 2021, Jake commenced his career in the insurance industry, joining Rothbury's, Ashburton, as a Commercial Broker. Jake says, "This job was a natural fit combining all my previous experience as well as the things I loved about my earlier roles. Rothbury's immediately blew me away with their team culture - they are a fantastic company to work for".

Outside of work, Jake and his partner love their dogs, skiing and horse trekking. Jake also enjoys playing social cricket and is a huge Formula 1 fan.



Jake Thomas
Rothbury Insurance Brokers
Ashburton

What do you enjoy most about your role as a broker?

I love the people and enjoy working with clients, learning about their businesses, and how they operate. There's no better way to conduct business than over food... and a craft beer!

The main point of difference Rothbury offers its clients is...

In the digital age, the industry is becoming less and less about personal service, but at Rothbury, building rapport with our clients is number one.

My best day in the business so far was... *When one of my clients purchased a brand-new Nissan R35 GTR. I jokingly told him I wouldn't insure it unless he let me take it for a spin. He showed up the next day and threw me the keys! Awesome experience - he would have to be one of my favourite clients!*

What do you find the most challenging part of the broking industry? *Joining the industry at a similar time to the regulation changes has been very challenging. Trying to navigate the new legislative implications while establishing myself as a broker has been difficult.*

The most common question my clients ask is... *'What are those buttons in your ears?' I then have to tell them that I used to play in rock bands and it was the 'cool' thing to do at the time. We always have a good laugh, but it also means they won't forget me very easily!*

One common perception about insurance I would like to change is... *That it is boring! I learn something new every day. Insurance broking is like a hybrid of sales, risk management, accounting, and legal work!*

What advice would you give someone starting in insurance? *You can never ask too many questions! The more information you can provide for the underwriter, the better.*

I like dealing with Rosser because... *Kirstee, our BDM is fantastic! In the life of a broker, having a great BDM makes all the difference.*

If I hadn't joined the insurance industry, I would probably have been a ... *Vet! I'm a bit animal mad. Think Dr Dolittle - I may have been caught talking to animals once or twice...*

What would you like to do if you didn't have to work? *Run an animal shelter in between travelling the world and attending all the Formula 1 Grand Prix races!*

You can witness any historical event... *See how the Egyptians built the Pyramid. Seriously, a stone structure with 2,300,000 millimetre perfect blocks constructed within 20 years! Even with today's technology, they estimate it would take over 600 years! Lost technology? Food for thought!*

A fun fact about me most people may not know is... *I love country music. Everyone needs a bit of Luke Combs in their life!*

The person (dead or alive) I would most like to meet is... *Ayrton Senna, the best racing car driver of all time.*

The dream car I'd like to own is... *Ayrton Senna's McLaren MP4/4 or Mazda Le Mans 787B, and as my daily driver a Nissan R34 GTR.*

A TV series I enjoyed recently was ... *Yellowstone! If you like, country music, cowboys, crime and huge plot twists then I highly recommend.*

The best place I've ever travelled to is... *Beaune - an amazing small town right in the Burgundy wine-making region in France. Need I say more?*

I have a phobia about... *Flying. I watched Air Crash Investigation marathons on repeat with my dad as a kid. I'm really fun to fly with!*

Three things on my bucket list are... *Attend a Monaco Grand Prix, visit Yellowstone National Park in the US, and the Great Pyramid of Giza.*

SurePac Support for Sport

\$1,000 Monthly Donation to a Not-for-Profit Insured Sports Group



ROSSER
SurePac
SPORT



**Every month until June 2022
Rosser donates \$1,000
to a not-for-profit organisation insured
with SurePac Sport.**

Recipients are selected by a random draw from all SurePac Sport policies incepting in the preceding month.

Donations are made in the name of Rosser and the winning organisation's broker.

Click [here](#) for information about our multi-line insurance solution for not-for-profit (and commercial) sports, fitness and recreation organisations.

Congratulations to our MAY SurePac Sport \$1000 donation winner



**Southern Rugby
Football Club**

represented by
Rod White
Rothbury Insurance Brokers
Dunedin



The Arawa Bowling Club facility in Rotorua

SurePac Sport April donation supports purchase of new reel mower for Arawa Bowling Club

The greenkeepers at the Arawa Bowling Club in Rotorua are welcoming last month's SurePac Support for Sport donation, which is going towards the purchase of a new reel mower. The club, which has been on its site since 1951, boasts three greens and two pavilions.

Following amalgamation in 1998, Arawa operates as a combined women and men's organisation. The club operates a full bowling programme including two very popular Business House tournaments each season.

In thanking Rosser and brokers, Sweeney Townsend, for the \$1,000 donation, club president, Ian Thompson said, "Arawa provides a safe and affordable facility which is also used by other community groups such as Indoor Bowls, a Bridge club, Yoga and Pilates groups",

Rosser Risk Appetite Summary

Effective from 1 January 2022



ROSSER SurePac PROPERTY

Sums Insured including BI up to \$20m

- Aged Care, Rest Home Organisations
- Cafes, Restaurants/Bars
- Chartered Clubs
- Commercial Buildings
- Day Care/Child Care Centres
- Education Facilities
- Engineering Workshops
- Fitness Centres
- Motels, Hotels, Lodges
- Motor Trades
- Non Profit Organisations
- Office Buildings
- Religious Organisations
- Retailers
- Sports Clubs
- Non-sports Recreational Clubs & Groups
- Warehouses (appropriately protected)
- Wholesalers



ROSSER SurePac LIABILITY

Liability Limits up to \$10m, Companies with Annual Turnover up to \$50m/50 Employees

- Charitable Companies
- Charitable Trusts
- Chartered Clubs
- Incorporated Societies
- Iwi Organisations
- Limited Companies
- Partnerships
- Private Trusts
- Professional & Industry Associations
- Quasi Non-Governmental Organisations, Statutory Bodies
- Religious Organisations
- Social Service Organisations
- Sole Traders, Trusts, Body Corporates
- Sports Clubs & Federations



ROSSER SurePac PROPERTY UK

Sums Insured under \$8m

- EQ Prone Buildings and/or Lessees
- Natural Disaster – Higher Risk Cresta Zones
- Premises built prior to 1936
- Premises with low NBS%

NON-TARGET LIABILITY RISKS

- Accountants, Architects, Engineers, Solicitors & Real Estate,
- Construction/Project Management
- Financial Institutions
- Gaming Trusts

• NON TARGET PROPERTY RISKS

- Backpackers/Boarding Houses
- EPS Construction
- Entirely Residential Body Corporates
- Flammable Goods Manufacturing/Warehousing
- Jewellery
- Laundry & Dry-cleaning
- Liquor & Tobacco/Cigarettes
- Motor Vehicle Dealers
- Paper Product Manufacturing or Storage
- Plastics Industries
- Recycling and Waste Management
- Remote risks

ROSSER
We've got you covered

Please contact your Rosser Underwriting Development Manager for quotes or more information. See the final page of this newsletter for contact details.

LAUGHTER



"You need to drop the annoying, clichéd, overused buzzwords. Noncompliance will result in your being repurposed."

CartoonStock.com



CartoonStock.com

Rosser's underwriting development team is here to help
Contact your UDM for product information, coverage advice, quotes or any other support



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ROSSER We've got
you covered