The Rosser Roundup

NEWS, VIEWS AND OPINIONS ON INSURANCE AND BUSINESS

ROSSER

QUOTE OF THE MONTH

"You're not going to get very far in life on the basis of what you already know. You're going to advance in life by what you learn."
- Charlie Munger

Ryan Clark
Executive Director

View From the Top

Dear Broker Partner,

This month marks a major transition in the leadership of Rosser Under-writing with the retirement of founder Murray Rosser. So, in this edition of Rosser Roundup, we farewell Murray from the business he started as a "one man band" back in 1996, reflecting on how he came to start the company and grow it into the successful enterprise it has become.

Murray remains a minor shareholder and a director, but is now retired from daily operational involvement. He is planning to spend more time in his garden and with his family, and to do some personal travel with his wife Trish. On behalf of the Rosser team, I wish Murray a long, happy and well-deserved next season.

Since starting in my new role as Executive Director in early June, the days seem to have disappeared in a blur. Although I'm fortunate to have already been quite familiar with Rosser's business, there's been a lot of detail for me to absorb. The past few weeks have been an intensive immersion in the intricacies of the company's operations, meetings with the team and key stakeholders, and time spent renewing and developing industry connections.

It is also vitally important for me to continue to learn about what our customers want and expect from us. Over the coming months, I'll be getting out and about with our regional underwriting development managers to meet supporting brokers. I am keen to hear how we can better meet your needs and those of your clients in this rapidly evolving insurance environment.

But, while in many ways change seems to be the only constant in business these days, I'll be working hard to ensure that Rosser continues to provide the friendly and helpful, professional and personal service for which we're already known and valued.

Exciting days are ahead, and I look forward to working with you for our mutual advantage.

Warm regards
Ryan

June 2022

In this month's edition

Murray Rosser

Murray Rosser retires from active involvement

Company founder says "it's time to knock-off and spend time on home, family and garden".

Today marks the end of an era in the history of Rosser Underwriting with the retirement of Murray Rosser, the company founder.

Murray has now ceased involvement in the day to day activity of the business although he still retains a small shareholding and a directorship of the company.

Murray resigned as managing director earlier this year, but continued on a part-time basis to assist with the development of the company's soon to be implemented new IT system.

Prior to becoming involved in the insurance industry, Murray developed business experience in a wide variety of roles.

His resume includes, among others, working in accounting, purchasing his first business (a 24hr sevice station in partnership with Peter Wilkins), managing a political party campaign, forestry investment marketing and an ultimately unsuccessful foray into the café/restaurant business.

In 1984, seeking an escape from the kitchen at his restaurant, and following a suggestion from a friend, Murray's initial insurance role was as a "Man from The Pru" selling life cover.

Murray says, "Not long after an interview with Jim Hubble, life insurance manager for The Prudential Insurance company, I was armed with a rate book, sales training and proposal forms. I started paying off a new car and came under pressure to make ten cold calls, four new prospect appointments and one sale – every week."

Having become familiar with both life and fire insurance, in 1985 Murray established Shape Insurance Brokers in partnership with Jim Hubble, his former manager. He was soon joined in the business by others from the Pru.

"In 1991, I gave up broking and restarted in the hospitality trade, but the restaurant ultimately failed. Not long after, I returned to insurance as a broker, working in Palmerston North," said Murray.

Ever the entrepreneur, by 1996 he had established the forerunner of Rosser Underwriting. Then through a series of mostly successful steps, he secured the company's first delegated authority contract with AIG.

The business grew until in 2007, Murray suffered a serious accident which threatened not only his life but also the company.

"I ended up selling half the company to Rothbury Group and with their support and particularly that of Doug Thompson, their director on the Rosser board, the company remained intact," Murray said.

In 2013, Peter Wilkins, Murray's friend and original business partner of more than 40 years prior, purchased Rothbury's shares and the company embarked on a growth strategy.

"We signed a binding authority agreement with Chubb in 2015 and established our first offshore facility after gaining Coverholder status at Lloyd's in 2016," Murray said.

The company now employs over 30 people and every month serves hundreds of brokers nationwide.

"Last year's sale of the business to 360 Underwriting Solutions of Australia was the culmination of years of hard work supported by so many people in the industry and on the Rosser team. There are too many to name individually, but they know who they are," said Murray.

"My sincere thanks to everyone who helped me along the way. Now it's time to knock-off and spend time on home, family and garden."

NZ needs a comprehensive climate adaptation plan. Now.

Tim Grafton
Chief Executive
Insurance Council of New Zealand

The Government's recently published draft climate National Adaptation Plan (NAP) does not present an actual plan to address the need to reduce climate risks.

Cutting emissions is essential if we are to limit the rate at, and extent to, which things get worse, but we need to act with urgency to build resilience to the climate impacts we already know we can't avoid.

It is widely implied throughout the NAP that insurance is part of the solution. However, insurance only works within a certain risk envelope where premiums and the scope of cover are sustainable compared to the risks and resultant claims. Therefore, the only way to keep insurance widely available and relatively affordable is to act to reduce risks.

Last year we reported $324 million in insured economic losses across general insurance lines arising from extreme weather events. But, we know that this does not tell the full story. There are uninsured and underinsured economic losses not captured in the total. This can include the costs faced by central and local government agencies dealing with floods, slips and damage to infrastructure such as roads and three waters.

Environmental costs typically go uncounted too as does the loss of land, fencing and productive land washed away or covered in silt or other debris. In some cases, communities face the loss of homes, amenities and culturally significant sites. Just because dollar amounts are not counted against such losses, this does not make them any more tolerable.

Another problem with the NAP is the urge within it to seek easy answers that on reflection just stand to make matters worse. The case in point here is talk of a Flood Re scheme. The UK Government set up its own scheme to support the provision of insurance in areas at high risk of flooding where the risks and costs involved made commercial cover either unaffordable or unavailable. In doing so, the UK Government created a moral hazard manifest through perverse and wasteful consequences of paying to maintain assets subject to repeat flooding. Not only is this economically unsound, it destroys value in property and sees money spent on recovery instead of prevention. It also leaves people in harm's way and having to cope with repeated flood events.

With all-risks insurance levels of around 96% in Aotearoa, any Flood Re scheme here would be seeking to solve a problem that doesn't exist here. Worse than that, it would buy communities a false sense of security instead of the measures they actually need to protect themselves from harm and that otherwise help keep regular insurance in place.

Some initiatives it could look at are:

- stop making matters worse by preventing new development in high-risk locations where the risks will become intolerable over a 50-year horizon.
- ensure the Avoid, Control, Transfer and Accept (ACTA) risk management framework is consistently applied by consenting authorities.
- define intolerable risk and identify and prioritise those areas where it is highest.
- accelerate the availability of national flood mapping and implement and adequately fund national flood protection programmes with a catchment-wide focus.
- sort out who, out of central and local government, communities and Iwi is responsible for adaptation of all types and how it will be funded.

The objective must not be limited to simply keeping property insured. It must be much wider than that and include protecting productive and culturally important land, limiting environmental damage and generally maintaining the local way of life because all are at risk from climate impacts.

The Government has the opportunity to present a coherent plan. It is essential that it does.

Read ICNZ's full submission on the NAP here.

ICNZ Insurance Council of New Zealand
Te Kāhui Inihua o Aotearoa

A recession looks to be just around the corner

"The gloves are off when it comes to taming inflation"

Economic commentary from **Cameron Bagrie**

Cameron Bagrie
Managing Director & Chief Economist
Bagrie Economics

When the world's biggest and powerful central bank, the US Federal Reserve increases the Fed Funds Rate by 0.75 basis points and leaves a similar move on the table at the upcoming meeting, the gloves are off when it comes to taming inflation.

Expectations are the Official Cash Rate in New Zealand will head towards 4.5 percent, meaning fixed mortgage rates above 6 percent.

Pick your evil

Taming inflation is not growth or asset price friendly. Various equity market indexes are now in bear markets, though still well above pre-Covid levels. House prices are now falling.

The impact on the real economy has so far been muted. Firms' biggest constraint according to New Zealand Institute of Economic Research's Quarterly Survey of Business Opinion is labour, not a lack of orders.

But, with each passing day the economic challenges are mounting. If you want a reminder, just refuel the car. Spending is being pared back.

The watchlist

Besides the obvious, including inflation itself and the global scene, with New Zealand the two-bit player at the international roulette wheel, here are some things on my watch list:

- ***Inflation expectations.*** The epicentre of central banks' credibility is expected inflation. Inflation expectations are rising, and that requires tough talk and preparedness to act. Credibility needs to be cemented. Once lost, it is difficult to regain.
- ***Earnings***. Equities are under pressure not just because of rising interest rates but a less friendly growth environment, rising costs, and recession fears.

"WITH EACH PASSING DAY THE ECONOMIC CHALLENGES ARE MOUNTING. IF YOU WANT A REMINDER, JUST REFUEL THE CAR."

- ***Signs of distress.*** Bank non-performing loans remain low. But, working capital pressures are rising and eyes are on the property development and construction sectors for fallout.
- ***The labour market.*** House prices and equity markets are responding to higher interest rates. The labour market has yet to respond. Rising unemployment is not something we like to see, but it is an unfortunate part of containing inflation. A more flexible labour market or boost to labour supply could help, but is not looking likely.
- ***Government.*** The more the government spends and adds to demand, the bigger the inflationary challenge the Reserve Bank faces. Non-Covid spending in the upcoming year is projected to rise **13.9** percent, then a spending diet of lentils proportions is projected for the 2023 Budget. That is an election year Budget so odds of a dietary Budget are low.
- ***The attrition rate for building consents already issued.*** The official statistics points to a gargantuan amount of building work in the pipeline, which is great for growth but bad for inflation's persistence. With construction costs up 20 percent in the last year, and

A recession risk looks to be just around the corner - continued

price increases still coming through, one suspects the attrition rate on consented projects could be high. That is bad for growth but part of taming inflation.

A glass-half full?
Maybe this is a recession we need to have.

Welcome back to the basics #1. More attention to real money and cash. Courtesy of quantitative easing (QE) and record low interest rates, money flowed more and more into intellectual property centred assets on the allure of exponential gains. While most assets are taking a hit, assets with cash flow and better business basics are standing up better. Crypto looks like the finance company debacle we saw in the 2000s. Some will survive but hasta la vista to lots.

Welcome back to the basics #2. Taking real risk to make real money.

At the peak, there was more than $18 trillion invested in negative yielding assets, a massive distortion and misalignment of risk and a bond rout has now occurred as interest rates have risen or turned positive. With interest returning to pre-Covid norms, and likely higher, and QE needing to unwind to contain inflation, making money now involves taking real risk. It is a world for seasoned and quality investors.

Welcome back to the basics #3. Supply shock + printing money + low interest rates + lots of government spending = inflation and lots of it. The laws of economics have not been repealed.

Welcome back to the basics #4. Is this the recession we need to have to drive better economic and government policy?

Welcome to the basics #5. Successful capital and investment allocation sometimes needs a cycle to remove dead wood. Zombie companies need to go bust.

The extraordinary policy response to the global financial crisis and Covid just delayed the inevitable. Better run companies will invariably eventually replace the inefficient and uncompetitive.

Buckle up. The year ahead is going to full of twists and turn, opportunities and challenges

Why are underwriters always asking for additional information?

The more property data you give, the better your risk is understood, and this will often lead to a much better offer.

Here are the basics of what your submission should contain and why we need this information.

Think C O P E L L

CONSTRUCTION

OCCUPATION

PROTECTION

ESTIMATED MAXIMUM LOSS

LOCATION

LOSSES

Continued...

Information required by underwriters... continued

CONSTRUCTION

Buildings and structures can comprise many different types of media and all have a bearing on the rate for cover. While we may be asked to quote for the tenant and not the building, we still need to know the risk factors surrounding the business. Here are some common examples of construction types:

Concrete/Tilt Slab

Mixed

Timber

EPS/ Polypanel

ACP

Mud (yes it has happened)

OCCUPATION

Obviously, this is the most important piece of information we need. Different occupations come with differing risks and all are taken into account. A storage warehouse for example is a very broad description. It could entail storage of dry goods or storage of fireworks. One of these risks is appealing - the other not so much!

PROTECTION

How adequately has the insured protected their assets against insured perils? A wide range of security protection is available now and depending on the occupation, we may well require different levels.

With the recent spate of ram raids, bollards have certainly shown their ability to reduce damage.

Fog cannons are a recent security technology that have also featured in the news lately as a successful prevention against stock loss. They do just what their name implies - create a dense fog to fill a room when an emergency button is triggered to fire the cannon.

It's not just the loss of stock and malicious damage losses that require protection. How can our mutual client protect against a catastrophic loss such as fire?

While it may not be possible to prevent a fire, we can look to minimise the losses. Sprinkler systems are an excellent method of minimising s damage. There are several types of systems available and including this detail in your submissions is strongly recommended.

There are of course numerous different levels of acceptable protection, these being heat and smoke detection units, extinguishers and manual alarms.

ESTIMATED MAXIMUM LOSS

Sometimes you can present the best risk in the country and still get a N0 response. Often this is a capacity issue as an insurer may already have a high level of risk accumulated in that particular area and is unable to accommodate any more.

LOCATION, LOCATION, LOCATION

Full location details are surprisingly one of the commonly forgotten details on a submission. Including a Post Code helps avoid confusion. Did you know Auckland has 4 different "1 Queen Street" addresses: 1 Queen St Warkworth, 1 Queen St Riverhead, 1 Queen St CBD , 1 Queen St Northcote.

LOSS HISTORY

Provide full details of the prospective insured's claim history – a prudent underwriter must know what claim events have occurred in the past.

Presenting the most informative submission you can, including photos where available, goes a long way toward obtaining the best possible cover and rate for your clients. Providing too much information is never going to be an issue.

Unfair contract terms update

New rules are coming into force in August 2022

Legal article from Wotton+ Kearney
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New rules are coming into force in August 2022 that will prohibit unfair contract terms in certain B2B (Business-to-Business) contracts.

Historically regulators have not interfered with business contracts; it has been presumed businesses are in a better position than consumers to negotiate preferable terms. Recent amendments to the Fair Trading Act bring both protections and risks for businesses. It is time for all businesses to make sure their terms of trade do not contain unfair contract terms in breach of the new rules.

Unfair Contract Terms
The Fair Trading Act 1986 provides protection against unfair contract terms in consumer contracts. The Act states that if a contract term is deemed to be unfair it will not have effect, and any party seeking to enforce a deemed unfair contract term could incur penalties.

An unfair contract term is when:

- The term causes a significant imbalance in rights between each of the parties;
- The term is not necessary to protect the legitimate interests of the party who is relying on it; and
- One party would suffer detriment (financial or otherwise) from enforcement of the term.

If these requirements are met, the Commerce Commission can apply to have the term declared unfair by the Courts. A declared unfair contract term will be unenforceable, and any party seeking to enforce it can face fines, injunctions restraining use of the term, or orders directing a refund or payment of damages.

The regime allows for certain terms to be exempt from the unfair terms rules, where the term:

- defines the main subject matter of the contract;
- sets to price payable, so long as the term regarding price is transparent; or
- is required by any other legislation.

If your business is in the financial services or insurance industry, these exemptions will be highly relevant due to the regulations prescribing contracts form and substance.

Unfair Contract Term Rules in business contracts
The Fair Trading Amendment Act 2021 broadened the reach of the fair trading protections by extending the existing prohibition on unfair contract terms to small trade contracts.

The change comes into effect from 16 August 2022. Small trade contracts entered into or varied after this date will be caught by the new regime.

A small trade contract is subject to the unfair contract rules if;

- a party is engaged in trade;
- the contract is not a consumer contract, as defined by the Act; and
- the contract does not comprise part of a trading relationship that exceeds the annual value threshold of NZD250,000 (GST inclusive) per annum.

Insurance contracts have been granted a longer lead in time and will not be caught until 1 April 2025.

Broker in the spotlight

"A bit like most in our industry, I "fell" into it," says Di Dixon (formerly Watts). "I started as receptionist for a local Broker in the early 90's. Over time I ventured over to the dark side of underwriting, but managed to find my way back home to where I thrive – looking after my clients and doing right by them."

About 18 months ago, Di and her friend and colleague, Kim Oetti, chose to leave the corporate world and start their own business in the Waikato, Affiliated Insurance Brokers. "It has been an exciting time and we are beyond thrilled with its success," said Di.

A self-described "Waikato bogan", Di and her husband Rod are passionate about V8 cars. They own a 1968 Pro-touring Camaro (fully rebuilt) and a 2016 modified Holden Redline Commodore. They love going to car shows with the American Muscle Group and the last event they attended, was taking their Camaro on the Hampton Downs track. "It was an awesome day (with some swear words thrown in on some insane cornering)," enthused Di.

Di Dixon
Affiliated Insurance Brokers
Hamilton

What do you enjoy most about your role as a broker? *I absolutely love the challenges that my role brings and every day is different. It is an extremely rewarding* role *and there is no better feeling than having clients appreciate the work I do, it is very humbling.*

The main point of difference Affiliated Brokers offers its clients is… *Our tag line is Real advice, Relentless service. It means understanding what clients' needs are and going over and above expectations in supporting them. With claims, it includes having the confidence to let them know if their expectations are not likely to be met.*

My best day in the business so far was… *The end of our first financial year – we kicked it out of the gate!*

What do you find the most challenging part of the broking industry? *Talent. There are going to be some large exits due to retirement over the next couple of years and there is not a huge amount of active recruitment to keep up with the demand. With qualified staff in hot demand and the retirees stepping down, we have some large gaps to fill.*

The hardest claim I've handled was… *A tragic work-place fatality. The profound grief for the client (the employee was also their family friend), the process with Worksafe, the police and the legal team. The time-frame was gruelling and intensive. I learned a great deal with this claim and it has put me in good stead to support a client should this ever happen again. I do sincerely hope for all my clients' sake that this does not occur ever again!*

Describe the impact the Covid-19 pandemic has had on your clients… *The type of clients I typically look after have fared well and some are absolutely thriving. My real concern is the impact on people in their everyday lives – inflation, interest rates, fuel prices, supply issues – this is hurting everyone.*

What is your favourite memory of the past year? *I married my soulmate and partner in crime in February – a very special day.*

The person (dead or alive) I would most like to meet or interview is… *Chris Cornell. An extremely talented musician. I loved his music whether it was as a solo artist or part of the groups Soundgarden, Audioslave & Temple of the Dog. I was quite affected by his death and cannot believe his five-year anniversary has just passed.*

Whenever I get the chance to escape for some relaxation I love to… *Holiday in Rarotonga. My favourite place in the whole world. I have lost count of how many times I have been. Its close, uses NZ $$ and it's compulsory relaxation in a beautiful spot – I will actually be back there next month!*

What is the dream car you'd like to own? *We have them now, but if money was no object there would be an Audi RS5 in the garage (my husband sold his about a year ago – was so much fun to drive - V8 and their handling on the road is incredible).*

I did most of my schooling at… *Melville High – enough said!* **…and what I hated most about school was…** *as above!*

You can gain a new skill in 10 minutes. What would it be? *To get Wordle on the first go!*

What are your three most overused words or phrases? *It wouldn't be appropriate for me to say.*

My four best ever dinner guests (living or dead) are…? *I do a special annual dinner (pulling out all the stops) with great friends where I try to be the best chef – I absolutely love cooking and it is always a memorable fun night.*

What phobias do you have? *Wayyyy too many to mention!*

SurePac Support for Sport

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

ROSSER SurePac SPORT

Every month
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 JUNE SurePac Sport $1000 donation winner

Te Kuiti Squash Club

Te Kuiti Squash Club

represented by
Pat Hickey
Rothbury Insurance Brokers
Hamilton

Rod White (L) of Rothbury Insurance Brokers, Dunedin, hands the Rosser SurePac Support for Sport donation to Blair Crawford, Southern RFC chairman.

Perfect timing for SurePac Sport May donation to Southern Rugby Football Club

Blair Crawford, chairman of Dunedin's Southern Rugby Football Club, was very grateful to receive the Rosser SurePac Support donation for May. "The club has to upgrade the spouting on its clubrooms, so the timing of the donation couldn't have been better," said Blair.

The Southern RFC, recognised as one of New Zealand's most successful rugby clubs, is in its 137th year. It has produced 26 All Blacks and has a proud history of success in local Dunedin competitions.

This year SRFC has over 370 playing members, a senior club fielding 5 teams, a large junior club and a netball club with 7 teams. The club plays a large role in the South Dunedin community with its clubrooms used for Housie 3 nights each week, as well as for other regular community hire.

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%

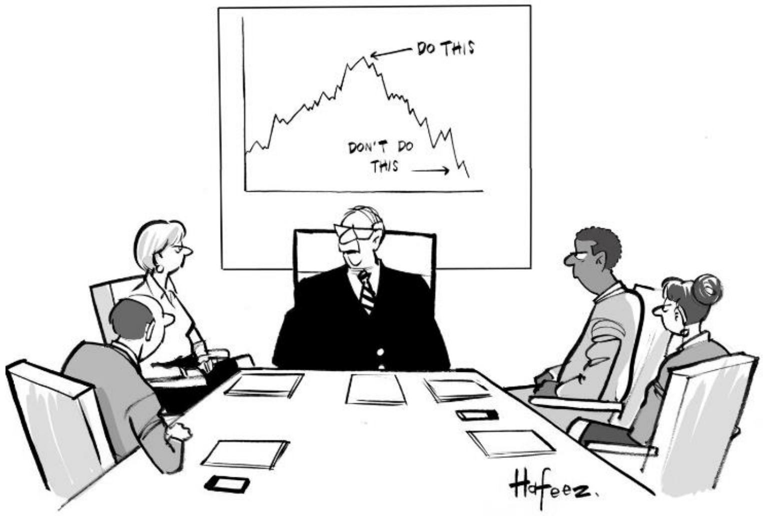
NON-TARGET LIABILITY RISKS
- Accountants , Architects, Engineers, Solicitors & Real Estate,
- Construction/Project Management
- Financial Institutions
- Gaming Trusts

- **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



"Any questions?"