The Rosser Roundup

NEWS, VIEWS AND OPINIONS ON INSURANCE AND BUSINESS

ROSSER

QUOTE OF THE MONTH

"There are times in all of our lives when a reliance on gut or intuition just seems more appropriate - when a particular course of action just feels right. And, interestingly, I've discovered it's in facing life's most important decisions that intuition seems the most indispensable."

- Tim Cook

Ryan Clark
Head of Rosser Underwriting

Highlights and heads-up

Dear Broker Partner,

Following on from 2020 and 2021, which set records for the highest ever insured weather-related losses in New Zealand, 2022 looks set to continue that trend.

In July, Christchurch recorded its highest ever rainfall for the month. In August, Nelson has been in a state of emergency as rivers have risen and flooded. At the time of writing, Nelson Airport recorded 270mm in just one week, compared with its average monthly rainfall of 80mm.

We see via the media the devastating images of flooding, landslips and damage to buildings and infrastructure. However, the impact goes even further, with contaminated drinking water and lack of cell phone coverage and power supply to many areas.

It's likely the clean-up will take years, with the cost of repairs going beyond the mere financial for those who have lost their home or business premises. Sky-rocketing construction costs and continuing labour shortages will only exacerbate the issues facing these property owners from an insurance perspective.

Many are likely to find themselves significantly under-insured, as according to Stats NZ, prices for the construction of new dwellings increased 18% in the June 2022 quarter compared with 2021.|

Putting the customer at the centre of what we do, as an industry we must collectively ensure that our insureds provide regularly updated building valuations.

On another note, from a Rosser perspective, we've made some changes to our regional sales team (UDMs). Tim Wilkes now looks after central and lower North Island brokers and Kirstee Nadin looks after all of the South Island.

And going forward, you will notice a couple of changes to the *Rosser Roundup* newsletter, including a new underwriting staff profile segment.

Warm regards
Ryan

August 2022

In this month's edition

Samantha Barrass
FMA Chief Executive

Only 48% of consumers trust insurance companies

- Trust score from 2022 FMA Consumer Experience with Financial Sector survey

The inaugural Financial Markets Authority's (FMA) Consumer Experience with the Financial Sector Survey asked a nationally representative sample of 2509 New Zealanders about their financial situation, the financial products they own, and their experiences with providers.

The research has shed light on what consumers consider 'fair treatment' from their provider, a core element of the FMA's expanding regulatory mandate with banks and insurers.

Respondents said the three most important factors were for providers to:

- clearly explain both the benefits and risks of products,
- be transparent,
- simplify the small print, and
- treat people as valued customers.

Samantha Barrass, FMA Chief Executive said, "This is especially important following the passing of the Conduct of Financial Institutions Bill (CoFI), which represents a significant expansion to our remit to cover the needs of all consumers of financial products and services."

On average, New Zealanders have three financial goals they are working towards, with the most common being growing their income, starting to save money, and saving for a specific purpose (e.g. holiday, home renovation, education). However, COVID-19 has hindered these goals and recent global economic conditions have exacerbated the situation.

Ms Barrass said, "The findings of this survey reinforce how difficult the past couple of years have been for many New Zealanders. It also shows how essential financial products and services are to help people achieve their goals and focus on their well-being."

"It appears that many customers simply do not know how the complaints process should work for them."

Satisfaction levels healthy

Consumers are generally content with their financial service providers, with 77% of DIY investing platform customers satisfied, followed by bank customers (71%) and insurance company customers (70%). The satisfaction rate of KiwiSaver provider and fund manager customers was lower at 61%.

Trust scores were lower than satisfaction scores, with 67% of consumers trusting banks and only 48% of consumers trusting insurance companies.

Most customers did not report a problem with their provider in the survey. However, of the 5% of New Zealanders who have made a complaint about a financial services provider, just over half (56%) felt it was resolved to their satisfaction.

Lack of confidence in complaints

"We found an additional 7% (above the 5% who complained) would have liked to make a complaint but didn't, meaning more than one in ten customers were considering a complaint of some kind. Those who decided against making a complaint felt the process was either pointless or too difficult with only 31% of people confident in knowing what to do if they experienced unfair treatment.

"This is an area I want to pay much closer attention to, as it appears that many customers simply do not know how the complaints process should work for them," Ms Barrass said.

Other key findings included:

- 22% agreed they don't understand the financial products they have.
- 18% of people have used a financial adviser, mortgage broker, or insurance broker in the last 12 months.
- On average, most insurance claims were successful (90% across health, car, contents, and pet insurance), although travel and house insurance claims were significantly less likely to be successful.

FMA
FINANCIAL MARKETS AUTHORITY
TE MANA TATAI HOKOHOKO · NEW ZEALAND

Extreme weather claims near $200m for year to June

- Insurance Council of NZ report

Tim Grafton
Chief Executive
Insurance Council of New Zealand

New claims data released by the Insurance Council of New Zealand Te Kāhui Inihua o Aotearoa (ICNZ) shows total insurance payments back to communities for extreme weather events closing in on $200 million for the year to the end of June. Last year set a new annual record for such payments at $324 million.

The latest data is that final claims for late March's floods total $119.6 million (this was preliminarily reported at $79.6 million) and preliminary data for storms across the country in mid-June total $15.5 million.

This brings the running total for the year to $198 million. This excludes $6 million from January's tsunami following the Tongan volcanic eruption and all claims for July, which should be reported on a preliminary basis from late August.

"Communities are once again enduring a hard year", said ICNZ Chief Executive, Tim Grafton. "While we can't say for sure that we'll see a new record for extreme weather claims in 2022, that we are seeing a steadily rising trend in climate related insurance costs in Aotearoa and overseas is well established."

The trend is putting a strain on insurers and householders alike. More frequent and severe extreme weather events coupled with soaring building costs and ongoing supply chain constraints are all adding to premiums.

So too is the rising cost of reinsurance (insurance for insurance companies in the event of very large-scale events). Aotearoa New Zealand's private insurers and EQC buy reinsurance from global companies that are themselves seeing record climate-related losses. All of this flows through into premiums.

"Insurance only transfers risk, it doesn't reduce it. Communities need to act now through local and central government to build reliance to local risks be that flooding, sea level rise, drought or wildfires.

Investment is needed in natural and man-made measurers in order to keep risks at a level where insurance is affordable for both homeowners and insurers alike over the medium to long term," added Grafton.

The term "recession" to be thrown around more and more

Economic commentary from **Cameron Bagrie**

Cameron Bagrie
Managing Director & Chief Economist - Bagrie Economics

Here comes the recession - with some caveats.

Lots of it is being driven by supply, and the inability to meet demand. That is not your normal downturn.

Taming inflation is never growth (the demand line) friendly either, and with each passing day, we are seeing economic indicators wilt through a demand lens. Consumer confidence and firms' own activity expectations (from the ANZ Business Outlook Survey) are depicting negative growth.

These are key lead indicators. Contemporaneous measures such as traffic volumes have stalled. Sentiment coming out of the construction sector has turned sharply with enquiry levels dropping sharply.

That is called success for the Reserve Bank (RBNZ), who need to hit demand to bring it back into line with available capacity, or the economy's ability to meet demand.

The recent RBNZ forecasts delivered in the August Monetary Policy Statement are as close to a technical recession as you can get without explicitly putting it in the numbers.

Real growth in gross domestic product in the middle of 2023 over two quarters is 0.1 per cent, barely positive. Annual growth over 2023 is 0.7 per cent and 0.5 per cent to March 2024.

Consensus for growth a year out within the RBNZ's Survey of Expectations is around 1.5 per cent and 1.9 per cent two years out. The RBNZ is at 1 per cent for calendar 2024. That is an economy at stall speak. It will not take too much of a global shock to knock it over.

The term "recession" is going to be thrown around more and more.

Growth is a change metric. We define a technical recession as two negative quarters of economic growth. It is likely we will satisfy that technical definition in 2023. We need to put a sense of perspective around it.

Many businesses are likely to experience weaker activity over the coming year. To many, that will be a "less good" environment as opposed to a bad one.

When demand has been scorching hot and you are struggling to keep up, the so-called recession might be nothing more than coming back modestly from incredible highs.

Some businesses are also likely to confuse pivots and substitution effects from the turn in the general economy. Post Covid, spending on services such as travel collapsed with the closure of borders. Expenditure was redirected into spending on durables, including cars, and spa pools.

Durables expenditure is interest rate sensitive. Higher interest rates discourage big-ticket item expenditure. The durables sector will also be hit by the redirection of money back towards the service sector.

Borders are open and offshore travel is high on people's spending list.

Continued...

The term "recession" to be thrown around more and more

The key problem though is supply, or the ability of the economy to keep up. The more that line is constrained, the bigger the hits the RBNZ needs to deliver to the demand side of the economy to bring demand back into line with supply

The supply line is where all the uncertainty resides. The pre Covid supply side capacity of the economy was thought to be around 3 percent per year for growth in real gross domestic product (the economy).

That is the combination of labour, productivity of inputs such as labour and capital, and use of natural resources. With inflation of 2 percent, think about this as the consistent sales line for the economy of 5 percent per year.

The RBNZ estimates that the capacity of the economy expanded 1.5 per cent between March 2020 and March 2022, barely budging each year.

When the capacity of the economy barely budges, and demand soars, you get an inflation problem.

We are now seeing a net migration outflow. The latest population figures also show a sharp slowdown in population growth with the population rising 12,700, the slowest growth rate since 1986. We expanded the grey force by 22,800 but shrunk the population under 65 by 10,000.

"The key problem though is supply, or the ability of the economy to keep up."

So, while the RBNZ will undertake what needs to be done through a demand lens, more attention needs to be on supply. How can we boost it? A lot of economic reform, but who has the gall politically to really go for it?

BAGRIE ECONOMICS

Rising concerns over the economic outlook look to be hitting home at the political and government level. Witness the recent announcement to address the shortage of casual workers by temporarily increasing access to the Working Holiday Scheme. This allows 12,000 additional working holidaymakers to come to the country. That is a start, but we need a lot more action.

The business sector happily points the finger at the government. The reality is that businesses need to take some ownership and turn the dial on innovating and investing in their own capacity.

Buckle up though. Night follows day just as day follows night. The economic piper is saying demand needs to be realigned with supply. That means less demand unless we can unleash more supply.

The sun will get up in the morning - a few years down the track.

Earthquake Commission in for a shake up

New name and expanded remit for EQC

Legal article from Wotton+ Kearney
by Ryan Hennessy

Ryan Hennessy
Paralegal at Wotton + Kearney
+64 4 909 0416
Ryan.Hennessy@wottonkearney.com

The Shake Up

The Earthquake Commission (EQC) is in for a shakeup. Previously operating under the EQC Act, the EQC will continue as a Crown entity with a new name — "Toka Tū Ake – Natural Hazards Commission", and an expanded remit.

The Natural Hazards Bill follows a review by Treasury and a Public Inquiry into EQC and its response to the Canterbury earthquakes.

Incorporating lessons learned from the Canterbury and Kaikoura earthquakes, the Bill has the primary objective of reducing "the impact of natural hazards on people, property and the community" with a more "people-centred" claims approach.

Toka Tū Ake EQC

What is the Natural Hazards Bill?

The Bill (through section 127) creates a statutory basis for the memorandum of understanding between insurers and EQC, which arose following the Kaikoura earthquake.

The intent is for the bulk of the claim process to be handled by private insurers with input from the Toka Tū Ake as and when required

Additionally, the Bill provides far greater clarity around how claims will be handled, assessed and when they may be declined. The changes recognise the significant role Toka Tū Ake has in the insurance market and the desire to be more claimant-centred.

What does the Bill cover

The primary purpose of the Bill is to contribute to the replacement or reinstatement of dwellings that suffer natural hazard damage.

In order to qualify as a dwelling, the Bill requires that a building, or part of a building, contains all of the facilities necessary for day to day living on an indefinite basis. This means that some rural buildings that contain any of these facilities under a separate roof may not meet the definition of a dwelling.

Another requirement for cover under the Bill is there must be a fire insurance policy in place. Some insurers may provide 'natural damage only' policies (often where other insurers have excluded it from a fire policy).

Insurers providing these policies will need to ensure that a fire insurance policy is in place or they may be left meeting the full cost of claims without any contribution from Toka Tū Ake.

While the Bill provides cover for multi-unit dwellings, the number of dwellings will determine the number of capped payments available. There are some areas of uncertainty in the current Bill regarding the application of the multi-unit rule.

Continued...

Earthquake Commission in for a shake up

For example, it is unclear how the Bill proposes to deal with buildings like rest homes where some of the facilities (such as cooking and bathing) are shared between a number of units.

This is an area of the Bill which could do with greater clarity so that insurers understand the extent of exposure in a natural disaster event. For example – does a rest home with shared shower and cooking facilities between 10 units contain only one dwelling or does it contain 10 dwellings, the difference being a cap of $300,000 or $3,000,000?

The "tiny home" movement also gets some attention in the Bill with cover provided so long as the home meets the definition of a dwelling. The big "but" is that the home must be immovable and have any required consents.

As this movement is often focused on using trailers to avoid consenting requirements the Bill is unlikely to extend cover to these structures.

What is next?

Submissions are closed and the Bill is before Select Committee with a report due near the end of September. Currently the Bill includes an implementation date of 1 December 2023.

Whether that timeline is feasible is another matter.

Meet the Rosser underwriters

This is the first article in a series profiling the members of our underwriting team

Andrew West
Rosser's Head of Underwriting

Auckland-based Andrew West joined Rosser in 2017 as Auckland broker relationship manager. In 2020, he was promoted to his current role leading the Rosser Underwriting team.

Andrew is tasked with driving the company's product development and leading our underwriting team to deliver prompt and efficient service, while maintaining under-writing excellence.

His insurance career began at AMP Fire & General in Hamilton, followed by a period at AIG where he worked as a specialist property underwriter. Andrew has also held property underwriting manager roles at IAG and ACE (now Chubb) and has worked in the industry in both NZ and Australia.

"One of the unique things about the Insurance industry" says Andrew, "is the opportunity to learn about many different businesses. During our under-writing process, we learn how a business performs and where they operate. We see their end products and manufacturing processes, understand their target markets, turnover and the number of employees they need."

"This is particularly true of Not For Profit organisations," he added. "At Rosser, we specialise in insurance for NFPs and Charities. In a world where the media is full of depressing news it is heart-warming to see the huge number of volunteer hours put in by New Zealanders. They work to assist people and families in need, caring for animals, looking after the environment and promoting culture, sports and arts".

Andrew is married with a 'blended' family of 5 children. He enjoys an active life including taking long walks with his Border Collie X dog, gardening, surfing and playing twilight cricket.

Broker in the spotlight

After learning the basics of insurance, initially at Sun Alliance and then Norwich in Wellington in the late 70s and early 80s, Paul Johnston secured a position with a major Broking company. Paul says, “That role provided me with opportunities to get in front of people and talk rather than concentrate on the very necessary, if somewhat tedious, paper churn.”

“Later, I voluntarily accepted a transfer to Papua New Guinea which was an incredibly exciting place to live and work. Then an opportunity arose to move to London which was equally exciting but in vastly different ways”.

On returning to New Zealand after 12 years in the industry, Paul decided to stick with insurance and says that it is a decision he hasn’t regretted.

Outside of work Paul enjoys travel, body contact sport (“I truly hate Golf”), arguing, and telling his three kids amazing stories and side-splitting jokes. “They really rate my jokes,” he claims.

Paul Johnston
Insurance Partners
Tauranga

What made you decide to join the insurance industry? *To stop my Mother from nagging me to get a real job. I arrived in painting overalls, got asked 3 questions to which I said “Yes”. Could I read? Could I write? Could I start on Monday? Walked out bewildered that I had got the job!*

What do you enjoy most about your role as a broker? *Face to face meetings with clients – 15 minutes on the insurance programme and 45 minutes chewing the fat and bitching about life, relating to them as a person not as a client.*

The most amusing claim I’ve handled was... *The claim itself wasn’t amusing but on my first day working in the Norwich Claims department I returned from lunch to a message asking me to ring Wayne Kerr. I was bright enough to see through this immediately, but thought I’d make the call to show that I could laugh at myself and hopefully fit into the team. Wayne was a genuine client and his surname was Kerr...*

I like dealing with Rosser because... *Everyone that I have dealt with to date actually wants to do business. Not everyone that I get to deal with at other Insurers have such an attitude.*

The most common question my clients ask is... *Has the premium gone up?* **...And my answer is...** *Don’t ask stupid questions of course it has.*

Before working in insurance the most interesting job I’ve ever had was...*For a very short time I sold shoes in a shop in Cuba Street, Wellington to the most colourful and flamboyant people in the City – it was an education.*

If I hadn’t joined the insurance industry, I would probably have been... *Either a painter (House not Art) or maybe in the armed forces*

What key advice would you give someone starting in insurance today? *Have a Plan B.*

What is your favourite memory of the past year? *A close mate got married for the first time and he cried - it was great.*

If you could witness any historical event, what would you want to see? *Mount Vesuvius eruption – from a distance.*

What is a fun fact about you most people may not know? *Not sure there is one, but if there was, I’d prefer that most people didn’t know.*

What is the dream car you’d like to own? *I’m not a car person, but I’d probably choose something impractical and within 5 minutes regret my choice.*

As a kid my ambition was to be... *a Professional Footballer. Totally unrealistic –I lacked the talent and drive to get even a trial.*

My favourite holiday spot in New Zealand is... *Auckland International Departure gate.*

My colleagues reckon I’m... *Grumpy* **...and My family reckon I’m...** *Grumpy.*

How would you spend a million dollars in 24 hours? *Very quickly!*

What is the first thing you’d buy if you won Lotto? *These questions need some work.....depends how big the prize was.*

They’re supposed to be good for you, but one vegetable I detest is... *Asparagus. (Makes a change from Brussels Sprouts – Ed.)*

What one food do you wish had zero calories (or sugar)? *Lemon Meringue.*

What are your three most overused words or phrases? *As I’ve got older I recognise that I say FFS far too often.*

What phobias do you have? *Rats and heights.*

SurePac Support for Sport $1,000 July donation to provide tennis balls for Greenhithe Tennis Club

Riana Munnik (L) senior commercial broker at FG Link, Albany presents Rod Smith, president of Greenhithe Tennis Club, with news of the July SurePac Support forSport donation.

“We are delighted to be the lucky recipient of Rosser’s July SurePac Support for Sport donation,” said Greenhithe Tennis Club president, Rod Smith. “Tennis balls are a significant cost for the club and we will use the donation to purchase stock for our upcoming summer interclub season,” he said.

The North Harbour-based club, which is some 60+ years old and boasts four floodlit artificial turf courts, is the only tennis facility in the Greenhithe community.

The club committee supports a growing and enthusiastic membership with programmes to attract all ages from pre-schoolers to veterans.

Active in the wider Greenhithe community too, the club makes its facilities available to numerous other local organisations and supports many events such as the annual Santa Parade and Anzac Day activities.

This was the final donation in our SurePac Support for Sport promotion which has been running for the past two years.

Our Underwriting Development Managers are here to help

			
Nisha Mirpuri Auckland	**Tibi Beck** Auckland & Northland	**Tim Wilkes** Central & Lower North Island	**Kirstee Nadin** South Island
P: 09 300 6442 M: 027 252 8894	P: 09 302 0117 M: 027 488 8894	P: 07 839 3957 M: 021 077 6678	P: 03 365 2664 M: 027 599 9094

Contact your UDM for product information, coverage advice, quotes or any other support

Email your Rosser Underwriting Development Manager: firstname.lastname@rosser.co.nz

www.rosser.co.nz

FREEPHONE: 0800 867 677

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

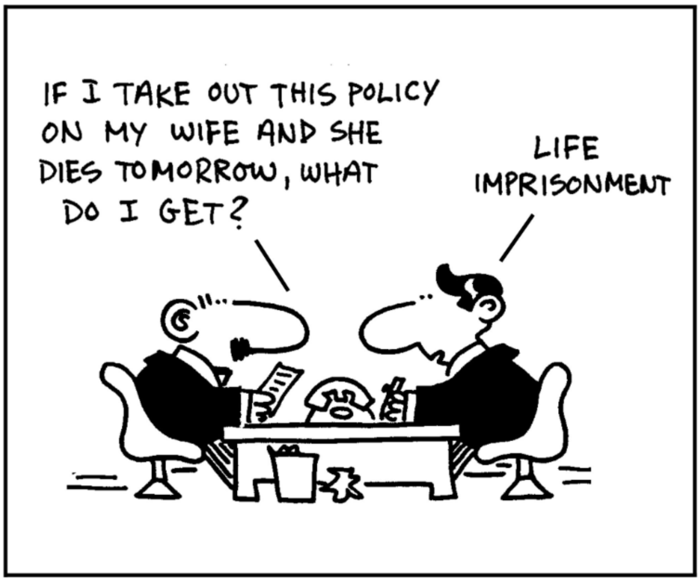
- **NON TARGET PROPERTY RISKS**
  - Backpackers/Boarding Houses
  - EPS Construction
  - Entirely Residential Body Corporates
  - Flammable Goods Manufacturing/ Warehousing
  - Jewellery
  - Laundry & Dry-cleaning
  - Liquor & Tobacco/Cigarettes
  - Motor Vehicle Dealers
  - Paper Product Manufacturing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

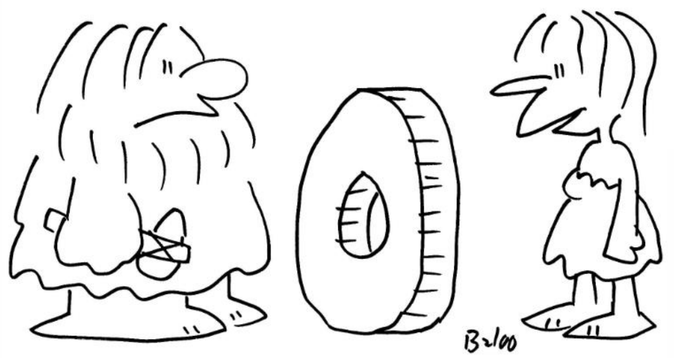
ROSSER

We've got you covered

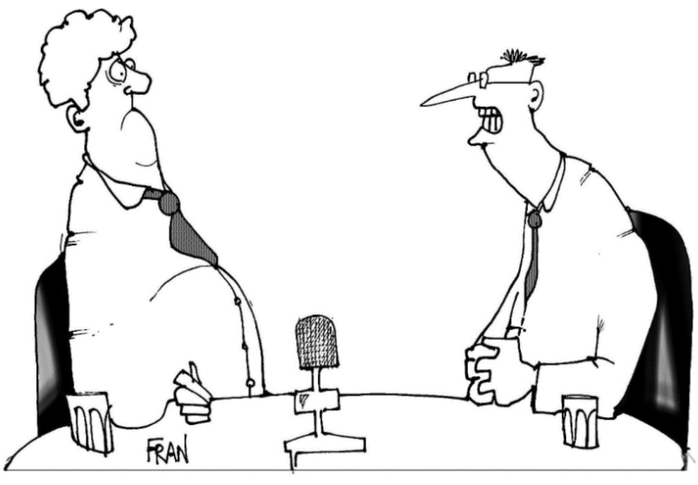
Please contact your Rosser Underwriting Development Manager for quotes or more information. See the final page of this newsletter for contact details.

LAUGHTER





"Okay, but don't try to operate it until I invent insurance."



There's an INDICATION that we MAY be looking at the POSSIBILITY of a POTENTIAL partial recovery over the SHORT or LONG term...But I wouldn't want you to hold me to that!

"In a Washington economic summit, a panel of three economists offered two dozen opinions about the direction of global economics."