

THE NET EDITION

THE OFFICIAL NEWSLETTER OF BROKERNET N.Z. LIMITED



It seems that this year has passed in less than the normal 12-month period. They say "time fly's when you're having fun" but I don't believe any broker or client would describe the past year in the Insurance Industry as "fun".

The Industry has had its fair share of changes, in the past year, with a major swing away from the domination of British and European Insurer's, to Australian Insurer's. Mergers, share floats and take-overs have meant those household names, we all knew so well, such as NZI, State and Royal and Sun Alliance are now a thing of the past. These companies are now re-branded as IAG and Vero. We sincerely hope that we will see some stabilisation in the coming year.

Insurers continue to encounter difficulties with the reinsurance markets. A number of major reinsurers have recently had their credit ratings downgraded which in turn places new demands on our local Insurers.

There is the potential for new underwriters and underwriting agencies to enter the New Zealand market in the coming year but this threat has, as yet, not dampened the Insurers appetite for continued rate increases. Insurers are still under pressure, as are all businesses, to provide a reasonable return on investment for the shareholders, which have in the past suffered dramatic losses.

Next year we hope to see a steadying of rates for our clients and with Christmas upon us we have had a word with Santa and are hoping that he will be able to assist us in this area.

This issue's lead article is about one of our very own member's, Graeme Robertson from Robertson Insurance Brokers, Wellington. Graeme was recently rewarded for his contribution to the Insurance Industry at the "IBANZ" Conference. He was presented with the coveted title of "CIBNZ 2003 Broker of the Year". Congratulations Graeme and keep up the good work.

We also touch on area's that clients are often confused with – Carriers Liability and just when you should let Insurers know about material changes. The best advice is - if in doubt – tell your broker who in turn will let the Insurers know.

We hope you enjoy our third issue and find the articles interesting. If you would prefer future issues to be emailed to you please advise your Insurance Brokers. This newsletter may also be viewed on our website www.brokernet.co.nz.

We would like to take this opportunity of wishing you all a very Merry Christmas and a prosperous New Year.

Debbie Street
Chief Executive

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What a Star

Conceived in Hari Hari, born in Greymouth, these were the humble beginnings of the CIBNZ 2003 Broker of the Year, Graeme Robertson.

After electing not to pursue a University Degree on completion of his secondary school education, Graeme decided to begin his working life in the Insurance Industry.

His first position was with SIMU in Christchurch, six months later he moved to the Royal Insurance Company where he progressed through the various "departments" of the company.

In 1970, Graeme joined the Christchurch branch of CT Bowring and Burgess Limited, a New Zealand and International Insurance Broker. He subsequently moved to Palmerston North and then on to Wellington with this company.

In 1980 Graeme decided that corporate life was not for him and he formed, along with his brother-in-law, David Allan "Robertson Insurance Management Systems" (RIMS).

Based in Wellington, Graeme and David grew their client base throughout New Zealand, their goal was to provide a service to their clients that was built on creating an ongoing working relationship.



Graeme Robertson, left, accepting his award from CEO of Vero, Roger Bell

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What a Star

...Continued

The formula worked and as a result the client base continued to expand and the volume of business the company handled grew significantly.

The decision to be part of the group that formed "Brokernet NZ Limited" was probably the most significant event in the history of the company said Graeme.

"It expanded the whole range of service levels that we could provide to our clients".

Graeme became a CIBNZ council member in 1983 and has been involved with several committees over the years. His most significant role was that of conference committee chairman, a position he held from 1997 through to 2003. He also became a vice president of the corporation in 2001 a position he still holds.

Looking back on his 36 years in the industry Graeme says he has experienced many exciting, challenging and dramatic events, but to be recognised by your peers for your contribution is a wonderful experience.

However, it does appear that there is more to come. "What we have achieved during the last 23 years is significant but to move forward we had to change" said Graeme.

To further enhance the client service capabilities of the company "RIMS" has now merged its business with fellow Wellington Brokernet member "Wilkinson Insurance Brokers".

The merged operation is now a very significant player and with the added support of "Brokernet" it has become a major participant in the New Zealand Insurance market place.

Working for CT Bowing and Burgess, forming RIMS, being part of establishing "Brokernet", the 2003 Broker of the Year award and now the merger of the business with Wilkinson Insurance Brokers are certainly the highlights of my career said Graeme.

"Going Forward" was the theme of the Insurance Industry Conference in Fiji earlier this year and this is certainly what I intend to do, says our Broker of the Year.

Scary Pictures

Here are some wonderfully motivating (and quite depressing) graphs and other statistics to remind you that the Christmas/New Year season is not all fun. Starting with the festive season, about 30 people will be killed on the roads during the holiday period (420 for the year). Not all will be drivers, some will be passengers and some will be pedestrians. Then assuming that they got to the beach safely, around 11 people will drown in the first 7 days following Christmas Day.

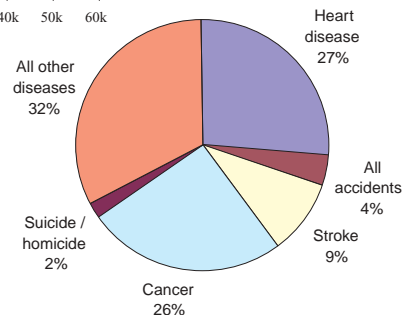
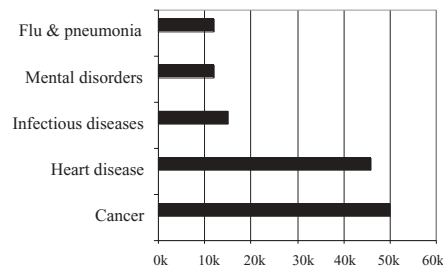
So they get through Christmas – what about 2004? Based on last year, there will be a staggering 536,000 patients admitted to hospitals next year that stay at least one night! (2000 figures from the NZ Health Information Service), added to which will be 208,000 day-patients – if they can find a bed! There are only 12,480 hospital beds in New Zealand, roughly half public and half private. So if they don't have medical insurance, half the hospital beds in New Zealand are denied to them!!

Now you want to hear the scary bit? ALL of these are due to illnesses. Injuries accounted for another 117,600 patients on top of these. This means that only 13.6% of all hospital admissions are due to injury. Within the sick people ranks, major reasons for admission are shown on the graph to the right.

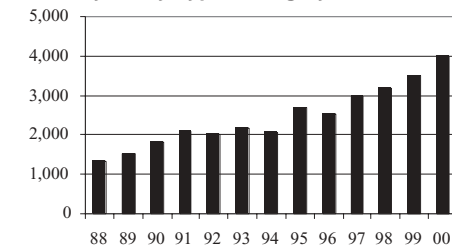
AND the numbers keep going up. Admissions are seriously increasing, which must partially explain the waiting lists. 1998 = 680,000 patients. 1999 = 704,000 patients. 2000 = 744,000. Just taking the single reason of coronary artery bypass surgery, the graph says it all. In 12 years the number performed has gone up just under 200%.

And for those that don't make it, why do they die? The pie chart shows the reasons for death. Heart disease, cancer and stroke collectively account for 62% of deaths. ALL accidents account for only 4% (so why do people take out accidental death only insurance??)

Reasons for admission



Coronary artery bypass surgery



My conclusions:

- Since only 15% of those admitted to hospital for heart disease or cancer actually die, I wouldn't want to be without trauma insurance.
- Since 50% of hospital beds are private, health insurance sounds like a very good idea to me.
- I will show these graphs to friends – I know they will motivate them.

Source AXA New Zealand Ltd



No legacy is so rich as honesty

*W Shakespeare
1564 – 1616*



Check first before sending a cheque!!

Our lead story in the last Net Edition dealt with White Collar Crime and Fraud. We have recently come across a “bogus” company operating from a virtual office offering to renew your Domain name. Please tread warily as this company is not real but will gratefully accept your money. Don’t get caught out and please check with your hosting company before drawing the cheque!

When in Doubt Disclosure

When you arrange insurance you have to tell your insurance company everything a prudent insurance company would want to know about you, and what you are insuring. However, did you know that this goes beyond the questions in the proposal form, or asked over the telephone? Did you know that you have the same obligations at each renewal? And, did you know that if you do not comply, your insurance company can avoid the whole policy and you will be effectively uninsured? Welcome to the duty of disclosure.

The duty is as old as insurance itself. It harks back to the days of sailing ships when the hazards of transporting cargo on the seas were high. The insurance company would have little direct knowledge about the cargo to be insured, or whether it had already sunk! To overcome this mismatch of information the law imposed an obligation on the person seeking insurance to volunteer all material facts.

The rationale remains true today. Even with common types of insurance, it is impossible to predict every possible circumstance that may exist that might alter the decision to insure and the price to charge. Material facts fall into two broad categories: information about the person seeking insurance (called the moral hazard); and information about what is to be insured (called the physical hazard).

The former deals with a person’s degree of care (e.g. previous losses) and honesty (e.g. previous criminal convictions). The latter deals with the inherent risks associated with the item to be insured (e.g. how easily can it catch fire?).

For some years now the duty of disclosure has been criticised as

being consumer unfriendly. How is the consumer meant to know what a prudent insurance company would want to take into account? Whilst this criticism may seem fair, coming up with a workable alternative is not easy. In 1998, the Law Commission recommended reform. It proposed that the duty be restricted to:

- incorrect answers in a proposal at inception and renewal;
- any other facts that a reasonable insured would know, and would consider an insurance company would want to take into account.

The first requirement would lead to lengthy proposal forms (against the current trend to minimise questions and complete the transaction over the phone). It would also lead to proposal forms at each renewal – something not currently needed. The second requirement follows similar reforms overseas that change the test by looking at the matter through a reasonable insured’s eyes, and not through a prudent insurance company’s eyes.

The recommendations have yet to be acted upon by the Government.

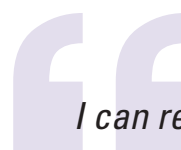
In the meantime, remember the requirements of the law as they currently stand. Talk to your insurance broker. Given the dire consequences of breaching the duty there can be only one motto: when in doubt disclose!

Crossley Gates is a consultant with Phillips Fox. DDI (09) 300 3823

Brain Teaser

Say “silk” five times. Now spell “silk”. What do cows drink? (see below for the answer)

Answer: Cows drink water. If you said “milk” your brain is obviously stressed and may even overheat. It may be that you need to content yourself with reading something more appropriate such as “Children’s World”. If you said “water” – well done.



I can resist everything except temptation

O Wilde 1856 – 1900



Carriers Liability – are you really protected?

Most owners of goods, entrusted to a carrier, believe that if any damage occurs during the transit that the carrier's insurance will automatically compensate them. This is based on the assumption that the carriers insurance will save the owner from a financial loss and that the carrier will always have the right insurance in place, and that the insurance will respond to any claims. Unfortunately it is not always that simple.

In New Zealand the Carriage of Goods Act 1987 governs the liability of a carrier for goods in their possession. Like most Acts, this law has provisions that modify the perception held by some that all cases of damage will be fully compensated in terms of the Act.

One of the main aspects of the Act is the limitation of a carrier's liability to \$1,500 per unit of goods unless agreed otherwise with the owner of the goods in writing. A unit is broadly defined as per ton for bulk goods, or it is a container of packages, or a pallet or box, if that is how the goods are presented to the carrier for transporting. Taking the case of a container, if everything in it is written off in an accident to the truck carrying it, the carrier's total liability to all the owners of everything in the container is \$1,500 unless otherwise agreed in terms of the Act.

Take the value of grapes where per ton the value off-the-vine has steadily increased way beyond the \$1,500 per ton bulk limit. There is real potential for the owner to be out-of-pocket if there is an accident while the crop is being transported to be processed.

There are exceptions where the carrier has no liability at all, the most obvious being where the damage arose while they were acting to save life or property. Take the case of a truck driver leaving the road to avoid colliding with an oncoming vehicle that results in the destruction of a load of high quality furniture. If the furniture owner was relying on the carriers insurance for compensation then he could be very disappointed with the outcome.

There is also the matter of consequential losses from say the potential increased value of the damaged goods had they arrived safely at their destination and been transformed into something of even greater value. Using the example of the grapes, we'll assume that these were destined for turning into export quality bottled wine. The owners might claim for loss of the increased value based on the price to be fetched for the finished product, which will, by far, exceed the value of the grapes at the time of the accident. The Carriage of Goods Act does not include cover for consequential loss. Cover is available however only a handful of Insurers in the New Zealand market offer this type of cover.

All of the above assumes the carrier has insurance. If he doesn't, then does he have the means to pay?

The overriding message here is that owners of goods should not take the risk of assuming all will be well when entrusting their goods to a carrier. The owner of the goods needs to consider having their own transit insurance thereby transferring the worry of recovering from the carrier to their insurer.

The insurance market for transit cover is still reasonably competitive. Talk to your broker for the right advice for your situation.

Source Tony Rowe, Trafalgar Insurance Brokers Ltd

Quote for today

Lloyd's chairman Lord Levene said at a recent presentation that the US had changed from a "can-do" culture to a "can-sue" one.

Changes in particulars

Please remember to let us know of any changes in:

- * Physical address
- * E-mail address
- * Phone and/or fax numbers
- * Shareholding
- * Purchase or change of Assets or anything else that may be relevant and don't forget to advise your Insurance Broker of any claims or circumstances that might give rise to a claim.

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The Insurance Brokers with Global Knowledge, National Strength and Local Service.

Members of Brokernet N.Z. Limited

ACM Insurances Ltd

Auckland
ph: (09) 486 0852
website: www.acmonline.co.nz
email: acm@acmonline.co.nz
Blenheim
ph: (03) 578 2824

Mike Henry N.Z. Ltd

Auckland
ph: (09) 921 2410
website: www.mikehenry.co.nz

LMW Insurances

Hamilton
ph: (07) 839 9600
email: insurance@lmw.co.nz
Tauranga
ph: (07) 571 6571

Hurford Parker Insurance Brokers Limited

Hastings
ph: (06) 876 0513
email: broker@hpi.co.nz

Wilkinson Insurance Brokers Limited

Wellington
Ph: (04) 499 0557
website: www.wilkinsons.co.nz
email: enquiries@wilkinsons.co.nz

Trafalgar Insurance Brokers Ltd

Nelson
Ph: (03) 546 8686
website: www.nelsoninsurance.co.nz
email: tony@trafalgarinsurance.co.nz
Blenheim
ph: (03) 578 0228

Macandrew Insurances

Christchurch
ph: (03) 377 1276
email: broker@mii.co.nz

H.D. Fraser & Macandrew Limited

Dunedin
ph: (03) 477 3651
email: enquiries@framac.co.nz

Insurance Brokers Alliance

Invercargill
ph: (03) 218 1119
email: admin@insurancebrokersalliance.co.nz

Brokernet N.Z. Limited

Auckland
ph: (09) 413 5000
website: www.brokernet.co.nz
contact: debbie@brokernet.co.nz

