

THE NET EDITION



When I first started working on this issue I was sitting at my desk fondly recalling the wonderful weather we had in January but what a horror February turned out to be. Floods, seldom, if ever experienced on this scale and winds of up to 184km per hour (Category 3 Cyclone). Power, gas, phone and water supplies disrupted on a massive scale throughout central New Zealand. Whatever happened to summer?

It is hard to imagine the complete devastation that people and businesses must be facing. I wonder how those who are either not insured or underinsured will ever be able to get "back on their feet". This really is a disaster of major magnitude and should reinforce the need to treat Insurance as an investment in your future. Insurers are advising this is the largest natural disaster insurance loss ever to strike New Zealand with insured damage estimates exceeding \$100m. It does not bode well for short term reductions in premiums in a market which was just beginning to stabilise.

On that note, this issue includes some really interesting articles on Business Interruption Insurance, Sandwich Panelling Buildings, the new PrivateEdge Product launched by AIG and the impact of Cell Phone Cameras. We hope you enjoy reading these.

Now to what is happening in the Group. This month sees the addition of a new Auckland member – Mooney & Associates Risk Managers & Insurance Brokers (NZ) Ltd. The principal, Garry Mooney, is well known and respected in the New Zealand Insurance Industry and brings niche and specialty products to our group.

Plans are also underway for our "inaugural" Conference to be held in Roturua in May 2004. The conference will be attended by some 80 delegates. More on this closer to the time.

I'll leave you with the following extracts from Lord Levene's (Chairman of Lloyds of London) speech to the City Forum – 3/2/04 –

"At the heart of insurance is a very social role – the sharing of risk, whereby the losses of the few are borne by the many and individuals gain the psychological benefit of peace of mind. It also encourages greater personal independence, avoiding a culture of dependency on others, particularly important today as support from the family or community declines in many societies.

The benefits translate to the economy at large. Businesses have to take business risks in order to make a profit. Insurance acts as a supplier of contingent capital to industry, and encourages it to take appropriate commercial risks."

Debbie Street
Chief Executive

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Never say Never



The recent North Island floods followed closely on the heels of the biggest storm to ever hit Melbourne in 30 years. Insurers expect the final costs to be at least A\$124 million.

Both Natural Disasters appear to be following a global trend. A recent article published in the Australian Insurance & Risk Professional Magazine highlighted the impact on an economic and Insured Loss basis. "Global financial losses from catastrophes for 2003 amounted to an estimated US\$65 billion". The events causing these losses included tornadoes, drought, forest fires, floods, hurricanes and in general, severe weather.

So how does this relate to New Zealand. Quite simply, we cannot sit back and believe that the flooding was a one-in-100 year event. It could happen again. Will you be prepared?

We do not know the extent of businesses who suffered flood damage, but the coverage of their property and loss of profits insurances will be tested as seemingly basic policy extensions, such as removal of debris, take on a new meaning, (and expense), when volumes of mud and silt have to be removed.

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Polystyrene Insulated (Encapsulated) Sandwich Panel



Modern construction material for food processing facilities, cold and cool stores is mainly polystyrene encapsulated sandwich panels.

"Encapsulated" means that the insulation material is TOTALLY ENCLOSED in a metal cladding on BOTH sides.

Why is sandwich panel material used?

Sandwich panel is used to replace or as a substitute for reinforced concrete construction with insulation materials such as cork overlaid with bitumen. A building or process area constructed with sandwich panel enables quick and efficient erection resulting in a lightweight yet strong structure.

New Zealand is a major producer and exporter of food products, particularly meat and dairy products with a critical requirement to meet Food and Health legislation and have accurate temperature control capabilities. Panel surfaces are extremely smooth, very easy to keep clean which is crucial to meet local and international hygiene standards.

Why does sandwich panel material pose a risk to your business?

The number of fires involving sandwich panel construction resulting in a total loss of both the building and business throughout the world is increasing.

ACE believes there are three main aspects that require constant attention in buildings constructed with, or containing sandwich panels that help to reduce the potential for loss from fire. They are:

- (1) The material must be **INSTALLED AND MAINTAINED** in accordance with the manufacturers specifications.
 - (2) If the panel is altered by the installation of electrical cables, pipes, vents, flues etc. then **ALL PENETRATIONS** should be **SEALED** with an approved fire resistant sealant.
 - (3) The correct type of fixed protection system in the form of an **AUTOMATIC FIRE SPRINKLER SYSTEM** should be installed.
- Any **DAMAGE** to the metal cladding as a result of impact from forklifts or other vehicles should be **IMMEDIATELY REPAIRED** so that the polystyrene is not exposed to spark, flame or heat.
 - Ceiling/roof spaces often contain plant and equipment such as refrigeration and electrical equipment etc. These areas **MUST NOT** be used as a dumping ground for surplus equipment or waste materials.
 - There should be **NO EXTERNAL STORAGE OF ANY TYPE** within, 10 metres of buildings constructed from sandwich panels and this should be regularly monitored.
 - Regular self-inspections should be conducted on the interior and exterior of the sandwich panel to identify and remedy any deficiencies.

NOTE: Remember that "Encapsulated" means **TOTALLY ENCLOSED**, otherwise the material's integrity is threatened and the exposure to loss is greatly increased.

Operations such as hot work should be conducted **CLEAR** of cladding material or appropriate precautions should be taken. Hot Work permit systems must be used at all times.

EXPANDED POLYSTYRENE EPS- Polypanels

EPS construction sheets (typical sheet size 2400 mm x 1200 mm x 100mm) are adhered (chemically bonded) to sheets of thin steel (typically 0.8 mm thick) to provide improved handling, impact resistance and cleaning properties. These are " Polystyrene Panels" or sometimes referred to as "Polypanels".

Expanded Polystyrene EPS foam is a closed cell, thermoplastic formed from a solid resin which is expanded to take a variety of shapes. It is usually a white colour and is similar to the look and feel of white transit packaging material.

EPS is commonly used as thermal insulation due to its excellent thermal insulating properties; lightweight and comparatively low cost compared with other construction materials. Hence it is readily used in the food, meat industry and where product chilling or freezing is required.

New Zealand EPS has had a fire retardant added since 1970 circa. Fire retardant does not prevent combustion it may only raise the normal ignition temperature of the product.

Molten burning EPS resin can be challenging to control. Manufacturers provide detailed fixing and support specifications and recommend the use of authorised and trained persons to install Polypanels correctly.

EPS can be ignited by an open flame and will burn in the presence of a flame generated by other fuels. It tends to shrink away from heat sources prior to ignition. To maintain burning, the heat source must either be sufficiently large or follow the shrinking material.

In a larger fire involving the building contents, the heat source will be sufficient to sustain intense burning.

- Without an Approved sprinkler system installed, fires involving EPS in Australasia have historically taken hold and resulted in substantial loss

If you are planning new premises constructed with this material it is recommended that you contact your Brokernet member to discuss Fire Protection and the cost of Insurance as this type of construction material usually attracts higher rates.



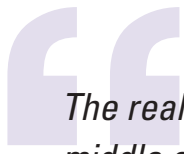
Examples of damage to the metal cladding caused by impact damage

Note: This damage will allow a fire to penetrate the core of the panel

Penetration made for cables

Note: This size of the penetration in relation to the size of the cables and the absence of any fire stopping

Peter Matheson
ACE Insurance Limited
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The really frightening thing about middle age is that you know you'll grow out of it

*Doris Day
1924 -*

Mind the Gap



With management liability exposures increasing, company directors need to think about D&O Insurance – and more.

Traditional insurance does not necessarily meet the needs of directors of small privately held companies, who frequently own the business, leaving gaps in coverage which can put their and their family's shareholdings at risk.

AIG has responded to the requirements of this market with an innovative and unique all-in-one management liability solution. Specifically designed, PrivateEdge combines D&O cover for both directors and the company itself with broad protection for other management exposures at an affordable price. A shared limit means that AIG can offer a cost effective solution for Statutory and Employers Liability, Fidelity and Crisis Containment cover, Superannuation Trustees and Employment Practices liability, alongside both personal and entity D&O protection in one policy with one proposal form.

Other benefits include a Legal Advisory Panel who can provide limited complimentary advice and are pre-approved by AIG to defend claims made against policyholders covered under the policy.

Sound interesting? Please contact your Brokernet member for further details

Andrew Johnson
AIG, Auckland

Never say Never

Continued from Page 1

In many loss of profit policies the indemnity (outage) period (such as 12 months) is often fixed on recovering from a major fire – not a flood devastating a wide region and destroying the local infrastructure.

The flood also highlighted how businesses need a disaster recovery plan to cope with sudden catastrophes and try to ensure business continuity. Many organisations have a "it won't happen to us" mentality and don't recognise a disaster could occur.

Another factor is that of goodwill with insurers – a history of loyalty does help when settling claims. Good accounting records also assist in proving your loss.

I sincerely hope that as you read this article, you can sit back and relax knowing that you are adequately insured and have Disaster Recovery plans in place. If however you think you need help – talk to your Brokernet member now, for tomorrow may be too late.

John Sloan

Sloan Risk Management Services Ltd, Wellington



Business Interruption Cover – Getting it Right

The recent flooding in the North Island will likely bring home to many affected businesses, the importance of Business Interruption (BI) Insurance. A number of other businesses, while they may not have actually suffered any direct damage, have been indirectly affected because of the interruption to power, gas and water supplies.

A critical part of "BI" insurance is the 'Indemnity Period'. This is the maximum time, starting from the date of the damage that the policy will pay for loss of profit and increased costs etc. In this respect "BI" insurance is a little different from (say) a policy on a building where the cover is usually for the cost of replacement irrespective of how long it takes. Quite simply, once the indemnity period expires the policy stops paying.

It must be tempting, for some businesses, to set optimistic (short) "Indemnity Periods" on the basis that if there is damage, even if severe, their businesses can be quickly returned to normal. Often the possibility of a natural disaster is overlooked. In times of labour shortages, which many of our trades are experiencing right now, there will inevitably be delays in restoring flood damage. Another factor to consider is that restoration of essential services will likely take priority.

An indemnity period needs to be established taking into account all of these factors. Essentially it needs to allow for getting the business back to normal in the worst-case scenario. An inadequate indemnity period may very well be critical to the survival of your business.

Another aspect of "BI" Insurance that is often overlooked is the cover in place for Claims Preparation Expenses. This cover allows you, the insured, to go out and hire independent expertise to prepare the claim. A recent case resulted in a business not being able to enlist the assistance of specialist help as the cover for Claims Preparation Expenses was totally inadequate.

We all know that "hindsight" is a wonderful thing but when it comes to BI cover, it really is too late once a disaster or major loss occurs. The length of the indemnity period does directly impact on the overall cost of this cover but this should be viewed as an investment you cannot afford not to make. Think very carefully and review all your exposures, both internal and external, before making your decision.

Talk to your Brokernet Member about your own BI coverage – does it "stack up?"

Tony Rowe

Trafalgar Insurance Brokers

With Just a "Click"

Cell phone cameras are presenting an interesting security dilemma for corporations worldwide as they seek to protect their intellectual property. Camera phone sales are outstripping sales of all types of stand alone cameras combined, with some industry insiders predicting that as many as 100 million units will be sold in 2004. As camera phones become more pervasive in the office, it becomes increasingly easy for employees to intentionally or inadvertently photograph confidential items and quickly transmit the photos to others. Imagine the chagrin, for example, of an auto maker's senior management when they see the prototype of their next model on the Internet. While this has always been possible with film cameras, using one in the office was suspicious in itself, and exposed film would have to be smuggled out and developed before it was useful.



In response, some companies are reportedly developing policies that either

(1) forbid employees from bringing camera phones into the office or (2) forbid them to take photographs on the company premises.

Have you considered the implications of this latest technology?

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IRMI Update

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Tell me again
why I got fired
today



Quote for today

Murphy's Law "If there are two or more ways to do something, and one of those ways can result in a catastrophe, then someone will do it."

Edward A. Murphy Jr

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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