



Welcome to the fifth issue of "The Net Edition". We continue to receive positive feedback on the contents and articles presented and we thank you for this.

This issue includes articles on:

- A graphic account of the floods through the eyes of an assessor – Mike Brooke from McLarens Young International
- The benefits that can be gained from Premium financing
- The importance of keeping your sums insured up to date
- The inaugural Brokernet Conference recently held in Rotorua

The Market

In the first quarter, renewal terms continued to rise slightly on most lines however over the past couple of months there have been some good signs that rates have now stabilised with most Insurers prepared to negotiate terms as expiry, the exception being where there have been claims or the occupation class falls within the few areas where rate increases are still common.

The last month has also seen the introduction of "hard to write risk" facilities by two major Insurers. This is very encouraging and will hopefully keep premiums in the New Zealand Market.

Barring any major worldwide or local catastrophe we are confident that in most cases the insurance rates will remain pretty much the same as last year but as we all know the market can always change and be quite different next month!

We hope you enjoy this issue. If you would prefer future issues to be emailed to you please advise your Brokernet Member.

Debbie Street
Chief Executive

in this issue

- * The Benefits of Premium Financing
- * The Power of One Conference May 2004
- * And I thought I'd seen it all
- * Just how much Public Liability Insurance should you buy
- * Important to keep asset sums insured up to date

The Benefits of Premium Financing

Premium finance, once regarded as a product sought by financially desperate businesses, is now increasingly seen as an important financial tool for the astute business entity.

Premium financing maximises business cash flow, there by allowing working capital to be re-deployed in the business with the interest paid being a tax deductible item. All manner of customers now regularly use the premium financing facility. Private companies, public companies, local government, legal and accounting firms and manufacturers are a typical cross section of users as well as the small one man business operation. When you consider that a small to medium business may well have insurance premiums up to \$30,000, to pay this amount in one lump sum could have serious impact on the business cash flow. If this amount was due at the same time as other large yearly bills the pressure on a business operational overdraft facility could see the principals seeking an additional facility attracting even more costs in bank and administration charges. Insurance premium financing is readily available through your Brokernet Member who has the ability to quote and prepare the required loan documentation in their office to ensure that the entire process is very efficient and seamless for the business client.

The concept allows a premium funder to lend to a business or customer the funds required to cover the cost of the premium due on insurance policies. The premium funder makes payment directly to the Brokernet Member who then settles with the various underwriters. The business then repays the loan in equal monthly installments (principle and interest) to the premium funder over a term of up to 10 months. The security for the loan is contained in the loan terms which entitle the funder to any pro-rata premium due as a result of cancellation of the policies.

Continued on Page 3

“The Power of One” Conference May 2004

We have just concluded our inaugural Conference which was held at Rydges Hotel in Rotorua.

To see 70 delegates from 11 Member Companies all under one roof was very impressive and even more impressive was the open sharing of knowledge and ideas that permeated throughout the Conference.

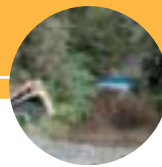
The Conference was facilitated by Terry McMullan from McMullan Conway Pty Ltd in Melbourne. Terry was an ideal choice as he is well known to both the New Zealand and Australian Insurance Industry and has had significant involvement with similar “cluster” groups in Australia.

So what did we do? Well, we all worked very hard and discussed issues affecting both the Insurers and you the client. We looked at our Service Standards and ways to improve these. We were very fortunate to have Ross Butler running this segment. Ross has spent the past 30 years in a variety of roles in financial services in Australia, USA, UK and Asia. Ross now sits on a number of Boards throughout New Zealand and was able to provide us with an invaluable insight as to clients expectations.

We were also fortunate to have Crossley Gates from Phillips Fox presenting on Liability Issues - an area that affects everyone and is often confusing. Crossley touched on areas such as the difference between “criminal” and “civil” liability and the difference between “occurrence” and “claims made” wordings. I know this may sound “double dutch” but these are areas that members deal with on a daily basis so the need for understanding is high.

Workshop sessions were also run on the Quality and Presentation of Risks to Insurers. Delegates were provided with a “bogus” tender document and asked to prepare a Quotation Slip for Insurers. To complete the exercise we had selected Board members role playing as Company Representatives and Insurers. The outcome of this session will see the adoption of a Group Standard for the provision of information to Insurers.

Other sessions looked at Best Practice, advancing technology, remarketing techniques, the sharing of marketing and business presentation skills and the promotion of products and specialty areas available within the Group.



As I mentioned earlier we all worked very hard, so it was only fitting that the Conference was finished with a fun team building activity. At mid-day on the Saturday, all delegates were put on a bus to an unknown destination. What a surprise the delegates had when they turned off to “Off-Road New Zealand” - a company specialising in fun and team building activities.

The next four hours saw most delegates, at some point in time, taken completely outside of their comfort zones. All delegates completed the following activities - Sprint Car Racing, Archery, Reversible Car driving (Left is right and right is left), Clay Bird Shooting, Stepping stone challenge, Giant 4x4 Thrill Ride and Self drive 4 wd Safari. The afternoon was finished off with a camp fire barbecue and a sing-a-long. A perfect ending to a fun day.

I'll sign off with a quote from a delegate “the overall content and presentation of the conference was excellent. Members achieved for their staff exactly what they intended to”.

The Benefits of Premium Financing

Continued from Page 1

Premium financing allows the business to roll all their types of business insurance onto a single contract. Paying insurance premiums spread over the insurance policy year has many advantages over the traditional single up-front payment method. These benefits include

- The ability to pay for insurance as you use it and not in advance
- The ability to treat this form of finance as an off Balance Sheet item
- Gives greater flexibility to the business to re-invest monies otherwise expensed to insurance costs
- Does not impact on more traditional business lines of credit

In addition to the above, premium financing offers competitive interest rates without any of the traditional bank loan servicing fees or security documents as the insurance policy acts as security.

Today, all members of the Brokernet Group will ensure that all of their clients, including the largest and financially healthy, are offered this facility as part of their normal business practice. Importantly, it demonstrates awareness on the part of the broker of their clients needs in providing an alternative payment method for their insurance premiums.

As more and more businesses are looking to ways to contain costs and/or spread these costs, they are increasingly turning to premium funding to assist in this process.

Please contact you Brokernet Member for further information.

Ross Clarke
Lumley Finance

And I Thought I'd Seen it All

Having been in the insurance claims business for more than 30 years and having attended disasters of all types, shapes and sizes I thought that I had seen it all. Then 16 February 2004 arrived and in the following weeks whilst helping our colleagues in the Manawatu, Rangitikei and Wanganui, I realised that even though I had seen disasters on many previous occasions this was something out of the ordinary. Certainly it was the widespread nature of the damage and the effect that it had on individuals and their families which made this one so catastrophic.

There is no way to explain the initial face-to-face contact with someone who has had their future wiped out, people of all ages and occupations, suffering the trauma or facing the consequences of Mother Nature.

It is the sheer size of the event, which is mind-blowing. Most of the residents who had had a trouble-free existence in the affected areas were wondering why they had been singled out for such special attention. Even though houses and lifestyle blocks were built on alluvial plains there had not been any previous weather-related event, which caused them to doubt the wisdom of their choice of location. Floods had been and gone every five or ten years with no hint of the devastation to come in February 2004.

Houses were inundated. The only dry items left in some of them were the light bulbs.

Dog kennels were seen floating down the river with the dogs still chained up inside. Horses and other stock were unable to be freed from their paddocks and effectively drowned where they stood. Cows were seen swimming, nowhere in particular, up to two miles off the coast.

In the weeks to come when stock which had been buried in the silt and mud started to decay the problems suddenly worsened. All resources were stretched and it was almost impossible to find anyone with digging or earthmoving equipment who was not totally engaged in some sort of flood relief work.

Literally hundreds of houses were unfit for occupation and their owners had to find alternative accommodation whilst decisions were made as to what would happen to their houses and other insured property. Some houses had literally started to float away due to the pressure of water underneath causing them to float and pull the piles out of the ground. In such cases it was relatively easy to decide that those particular houses did not have a future and needed to be demolished.

Sewage from septic tanks was another major issue as the contents flooded out and were replaced with silt and mud as were the effluent lines. There was certainly a need for urgency and everyone, especially the insurance industry, responded magnificently.

Vast commercial losses were reported and brought with them their own special problems at clean-up and claim settlement time. This is the time when the Underwriters, Brokers and Insureds focus on policy wordings and sums insured.

The insurance industry as a whole is challenged at times like these. It is during such an event that their clients are more easily able to measure the efficiency with which their claims are adjusted and settled and what protection their policies provide. Doubtless, this has been recognised by the insurance industry who made significant efforts to make the lodgement and settlement of claims simpler by making as many staff as possible available to process claims and, in some instances by waiving the policy excess. As we all know, "pushing the paper" is one of the biggest headaches for everyone but insurance companies were quick to grasp the seriousness of the situation and a vast number of claims have already been settled.

The Earthquake Commission bore the brunt of landslip and land damage claims. Silt and mud under houses and outbuildings proved to be quite a challenge to remove.

It will take several years for some people to recover from this event. Kiwis are known for their persistence, determination and hard work. These qualities will be fully tested over the next few months and beyond. Those who have houses, which have been flooded, could have their property title endorsed to show that it is prone to flooding. Will they rebuild their badly damaged house on such a piece of land knowing that it could prejudice any future decision to sell? These are questions to be answered by the individuals themselves and the decisions will not be easy.

This is the first time in my experience that the media has understated the extent of the damage and the effect that the event had on all those who were affected. It was bad, very bad and those who had insurance were the lucky ones.

Mike Brooke
McLarens Young International

Just how much Public Liability Insurance should you buy?



This is one of the questions frequently asked by clients. When Insuring a building or motor vehicle it is easy to determine the sum insured however liability exposures are not so easily identified and in fact a large percentage of claims made are seldom identified by Insurers when underwriting the risk.

Here are some tips to assist you with determining the limit of cover you purchase:

- Identify the liability exposures that present you with potential for the most severe claims and attempt to determine the highest, average, and median claims or settlements in those areas. Legal counsel may be helpful with this analysis.
- Consider the extent that others' risks are being assumed in contracts (e.g., indemnity provisions) as well as the limits being required by others in those contracts. Conversely, consider the extent to which you can allocate your risks to others in your contracts and the financial abilities of these indemnitors to respond.
- Take into account the locations of your operations and the litigiousness of those locales. What is the largest liability claim ever paid (and in what year did it occur)? Most importantly, don't forget to also consider areas where your products or parts thereof are exported.
- Benchmark the limits selected against those purchased by other companies in the same or similar industries and locales. But don't overweigh this factor as you may just be repeating others' mistakes.

Important to keep Asset Sums Insured up to Date

The current property boom and shortage of tradesmen in different parts of the country is relatively well known, as is the inflationary effect on rebuilding costs of both residential and commercial properties.



All around New Zealand, it is not uncommon to find tradesman hard to get started on building projects without lengthy delays, sometimes up to several months. The recent flooding in the North Island has added to the pressures the construction industry is already under.

Builders and construction workers are being lured to the main centres by Construction Company's.

The combined effect of all this means that in many cases the replacement costs of buildings are increasing.

As you approach the renewal of your insurance this year it will pay to check with your valuer as to the effect all the above have had on your current sums insured, even if valuations for insurance purposes were updated last year.

Delays in starting building works also impacts on the length of indemnity periods under business interruption policies. It may be tempting to select indemnity periods from the viewpoint that rebuilding can be started relatively quickly in case of damage and that completion will not take long, but delays in getting started are a factor that businesses need to consider when reviewing their business interruption indemnity periods.

Quote for today

"Life, liberty, and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty, and property existed beforehand that caused men to make laws in the first place."

Frederic Bastiat

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.

Disclaimer

All the information published in this newsletter is true and accurate to the best of the authors knowledge and should not be a substitute for professional advice.

No liability is assumed by the authors or publisher for any losses suffered by any person relying directly or indirectly on this newsletter. Articles may not be reproduced without prior approval from the editor and credit being given to the source



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

ACM Thompson Ltd

Auckland
ph: (09) 379 2009

Mike Henry N.Z. Ltd

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

Mooney & Associates

Auckland
ph: (09) 377 4314
website: www.mooneyriskman.co.nz
email: insurance@mooneyriskman.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

