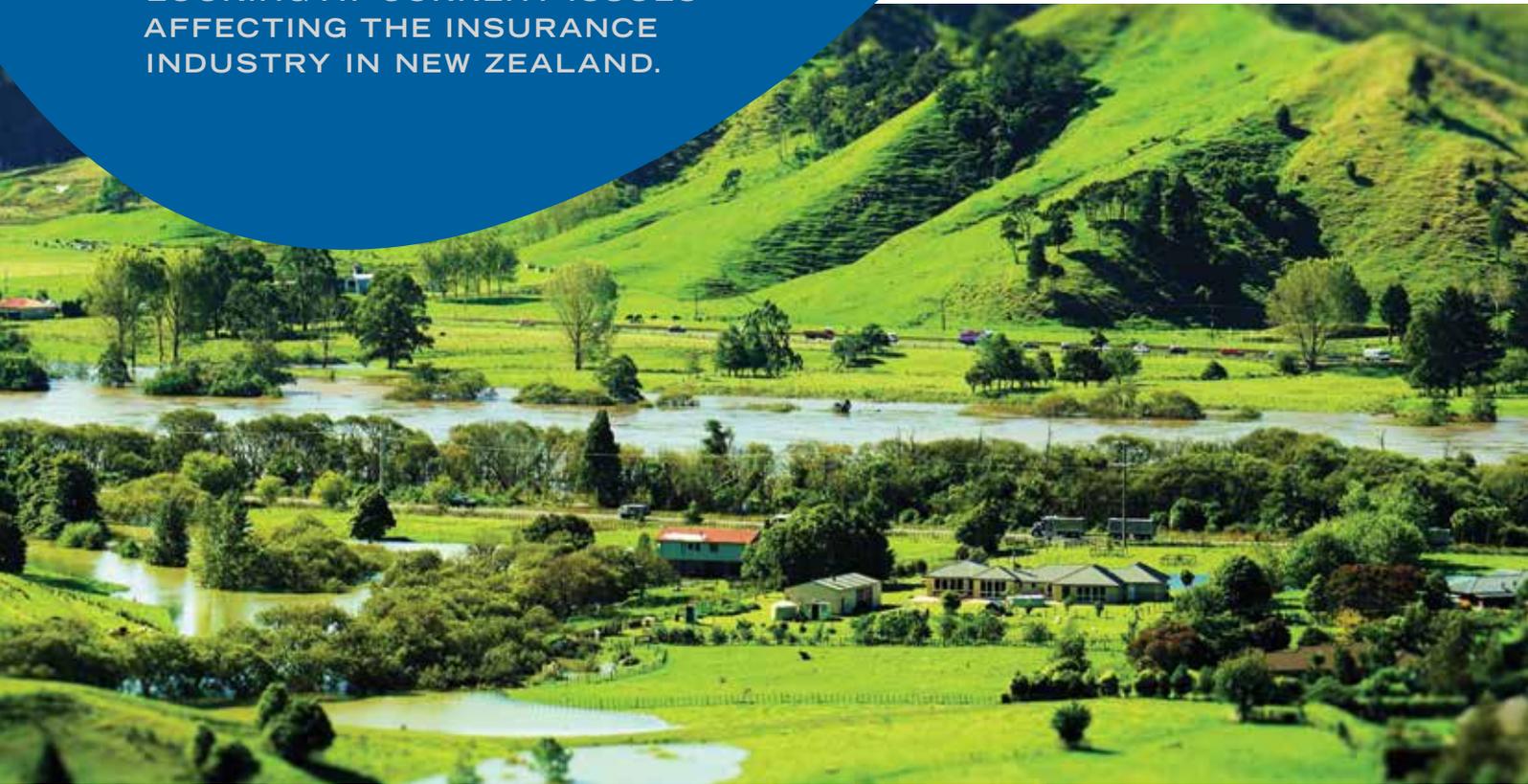


OCTOBER 2018

FullCover



LOOKING AT CURRENT ISSUES
AFFECTING THE INSURANCE
INDUSTRY IN NEW ZEALAND.



Pricing for risk

SUSTAINABLE development is all about meeting the needs of the present without compromising the future. That's why pricing for risk is so important.

Although we'd all like our insurances to be cheaper, we're fortunate in New Zealand to have access to insurance cover right around the country, even in those high risk areas – unlike some other parts of the world.

But somewhere behind that, things need to be priced sustainably. Insurers are experiencing record losses due to a number of factors including rising claims costs, an increase in the number of claims being made, extreme weather events and natural disasters.

There's the ever present challenge of keeping insurance sustainable – and yet available to all.

The insurance economy in New Zealand is worth \$5.7 billion according to the Insurance Council of New Zealand. Last year the operating ratio was 104 percent – that's a \$162 million loss for the industry last year!



There's the ever present challenge of keeping insurance sustainable – and yet available to all.

On average over the last three years, Insurance Council statistics show insurers,

AIG, Alliance, NZI, Vero, Zurich and numerous others, made just \$10 million profit. To put that into perspective, last year banks in New Zealand made a profit of over \$5 billion. These numbers tell a story of non-sustainability.

Events like the Canterbury and Kaikoura earthquakes and the Edgcombe floods have provided a better understanding of the costs of providing insurance in high risk areas. Pricing in these areas and other seismic zones in central New Zealand - including Wellington, must inevitably reflect the cost of providing that cover.

Historically insurers have largely pooled premiums together so high risk locations have been subsidised by low risk areas. But this is set to change as insurers look towards fairer pricing across the board and start pricing according to regional risks.

Our locations and people



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E-bikes and Drones

Is your E-bike or drone covered under your contents policy?

Electric bicycles (E-bikes) and drones have become very popular over the last couple of years but did you know these items may not be covered under your home contents policy?

Trouble at claims time

You may have heard about troubles some owners have faced when it comes to cover for loss, damage and third party liability for E-bikes and drones. Many insurers exclude E-bikes because they are mechanical and not an accepted item. Accepted mechanical items are listed in the insurance policy and usually include things like a mobility aid or lawnmower. So it's easy to understand why owners would think their E-bike was covered.

Is my E-bike covered?

As a general rule, if your E-bike is below 300 watts it may be covered under your home contents policy but it must be specified. Specifying an item means telling your broker

or insurer about it and it will be listed on your policy.

However, if your E-bike is above 300 watts it needs to be insured as a motorbike and the Land Transport Safety Authority also requires that your bike be registered.

What about drones?

Drones are unlikely to be covered under your standard contents policy. Drones are considered to be aerial devices and most policies today exclude aerial devices. You may have thought you'd be covered under Remote Controlled Scale Models but a drone is not considered to be a scale model and therefore is not covered.

It's worth talking to your broker

If you own an E-bike or drone it's worth talking to your broker. You may be able to get cover simply by specifying the item in your policy. No one likes surprises at claims time so our brokers will help you understand what to expect.



Rothbury Annual Awards 2018

ROTHBURY is a business that is all about people. We're locals dealing with locals. Our people are what makes Rothbury a great place to work, and a business our clients enjoy working with. We're there on the ground providing personal service, quality advice and managing claims locally to support Kiwis like you every day.

Each year we celebrate our people and our business. We come together and hold an awards evening to acknowledge outstanding individual achievements. Results are measured across lots of criteria including peer review and client feedback.

Last month saw us host our 12th Annual Rothbury Awards at the Rutherford Hotel in Nelson.

Branch of the Year went to Southland, led by Branch Manager Nathan Haywood with runner up branches Tauranga (Branch Manager, Simon Helm) and Otago (Branch Manager, Andrew Colquhoun).

Best Commercial Broker went to Tina Gillan from Otago; 2nd place went to Lesley McLaren, North Shore and 3rd place went to Ian Weatherley, also from North Shore.

Best Domestic Broker was awarded to Donna Hyslop from Tauranga, 2nd place went to Gretchen Gee from Rotorua and 3rd place to Jan Graham from Otago.

Best Commercial Broker Support went to Kelley Sturmey of Capital City Wellington, 2nd place went to Melissa Benge from Hawke's Bay, and 3rd place to Ashley Jowsey from Otago.

Best Claims Advisers placing 1st equal were: Megan McAtamney from Ashburton and Bridget Reeve from Hawke's Bay, with 3rd place going to Tracy Knight from Otago.

A big congratulations to all winners and nominees alike.

The rise of robo-advice

DIGITAL innovation has paved the way for robo-advice, the growing field of online investment, savings and insurance platforms aimed at reducing the need for human advice. But is robo-advice actually giving advice or is it simply outlining options?

The focus appears to be largely on price and the screening of the client at the outset, and while robo-advice can offer some benefits, in our opinion it is still incapable of capturing the complexity and myriad of factors that go into selecting the right insurance solution.

When it comes to finding the right solution, one size does not fit all. If you were to go online and use three different price calculators, the reality is you'd get three different solutions. So who's going to give you guidance and support when it comes to making an informed decision on which solution is your best option?

The argument for robo-advice may be that simple insurance policies do not necessarily require the input of an insurance broker, but what defines a simple insurance policy?

It may seem quite straight forward to buy a home and then insure it. However, we know

from the Christchurch earthquakes that many homes were underinsured – and some people didn't have the right advice when they insured their home in the first place and their cover wasn't comprehensive enough.

One caveat with robo-advice is that there needs to be a lot more focus on what's going to happen at the other end if disaster strikes. As brokers, we're always asking questions: What is the willingness of the Insurer to pay a claim? What is their approach and track record?

When a good broker recommends an insurance solution the key thing we are giving you is a claims response with the ultimate goal of getting you back to where you were before the claim event, and that means being adequately compensated for your loss.

Robo-advice is unlikely to be able to offer the level of expertise and quality advice, help and support that a good broker can provide. So if you're going to use robo-advice, treat it as just another tool in the toolbox.



Would you like to spread out the cost of your insurance?

Did you know you can choose to pay your insurance in easy to manage monthly or quarterly instalments through Rothbury Instalment Services?

We can arrange for you to pay your insurance in weekly, fortnightly, monthly or quarterly instalments. Interest and a small administration fee will apply and can be spread over your instalments.

Paying by instalment can help manage your cash flow by spreading your insurance costs over the year, and if you're a commercial client interest payments can be tax deductible.

If you'd like to pay by instalment contact your broker and get them to send you an online instalment agreement – it's quick and easy to complete.

Information wars – the new world of Global Data Protection



EUROPE'S new privacy law is set to change the World Wide Web and much more.

For the first time the balance of power has shifted towards the consumer, with a new European privacy law being passed in May this year restricting how personal data is collected and handled. Now if an individual's personal data is being used by any company in the European Union, that individual will have rights that didn't exist before.

The General Data Protection Regulation or GDPR focuses on ensuring users know, understand and consent to the data that is collected about them. It's no longer enough for European companies to rely on the fine print to collect personal data, or force users to click yes to using their data when they sign up to something.

So what does this mean for us? New Zealand companies are not currently within the scope of the European regulations, but many will be watching closely. As a general rule, unless a New Zealand business is operating in Europe – e.g. selling products or services, they will not be affected by the GDPR.

The GDPR (similar to our Privacy Act but a lot more powerful) will create one cohesive data protection framework across the entire European Union (EU), to strengthen and protect the privacy rights of all individuals in the EU.

In keeping with the rest of the world, New Zealand's own Privacy Act is currently under review, and like the GDPR it has a

strong focus on addressing the challenges of the digital age.

New Zealand's Privacy Act

Ours is a principle-based system. Breaches can result in reputational damage, loss of business and lost productivity while you respond to any complaints to the Privacy Commissioner. Following an investigation by the Privacy Commissioner, matters can also be taken to the Human Rights Tribunal where awards of damages can be made.

Understanding the changes is an important part of managing your risk so we'll be keeping you informed. If you have any concerns about how changes to the Privacy Act may affect your business, talk to your broker.

What do toothpaste, explosives, veterinary medicine and solvents all have in common?

THEY ARE ALL CLASSIFIED AS HAZARDOUS SUBSTANCES! Hazardous substances are used widely across New Zealand workplaces and a well known serious risk for many businesses, which is why it's important businesses manage their hazardous substances risks and protect people from harm.

Under the Health and Safety at Work (Hazardous Substances) Regulations 2017 there's specific duties that apply to businesses who use, handle, manufacture or store hazardous substances. All 'persons conducting a business or undertaking' (PCBU) who have management or control of a workplace,

transit depot, or hazardous substance location must comply with these duties.

Did you know that if published information about a hazardous substance changes you are responsible for reviewing and changing controls for that substance?

In the event of a claim, one thing the insurance company will be checking for is that your controls meet the requirements of the latest published information about a hazardous substance.

A Statutory Liability policy can cover you for the legal costs of defending yourself against any

unintentional breaches of the Health & Safety at Work Act relating to hazardous substances, such as a substance escaping, spilling or leaking. Fines imposed under the Health & Safety at Work Act are not insurable though.

There are some specific extensions to Statutory Liability policies that can cover costs resulting from a hazardous substances emergency at your workplace. It's a good idea to talk to your broker about all the options to make sure you've got the right protection in place in case anything goes wrong.

Managing risk

a simple look at liability

Managing your liability exposure can be complicated so we set out to simplify the different types of liability your business may face with a series of Infographics. Following on from our General Liability Insurance Infographic released in February, we've introduced three more: Statutory Liability; Professional Indemnity; and Directors & Officers.

Copies are available to download at www.rothbury.co.nz under the Business tab. Talk to your broker if you'd like to know more.



My Rothbury Mobile App

If you haven't already downloaded our App, give it a go!

Just download **My Rothbury** from the App Store or Google Play Store.

My Rothbury lets you start a claim; send us photos of your claim; and find and print out the claim form you need. You can even access your travel insurance emergency phone number while travelling.