



Insurance Council Review 2013

Insurance and reinsurance is now one of the main drivers of New Zealand's economic growth.

ICNZ

Insurance Council of New Zealand

Entrusted with safeguarding New Zealand



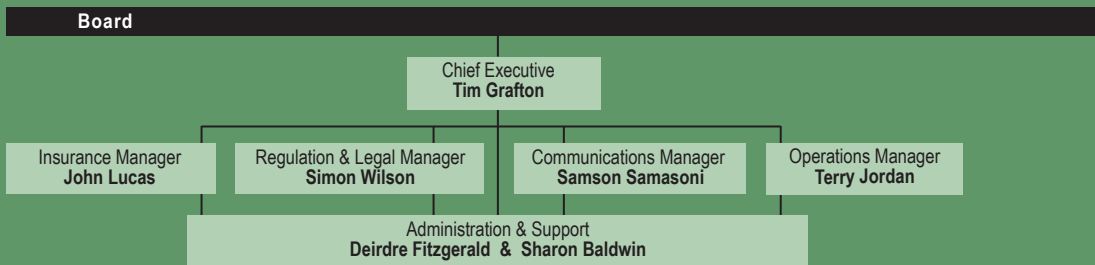
Insurance Council of New Zealand Board 2013

Back row, left to right: **John Lyon** Lumley, **John Lucas** ICNZ, **Samson Samasoni** ICNZ, **Terry Jordan** ICNZ, **Martin Kreft** MunichRe, **Simon Wilson** ICNZ.

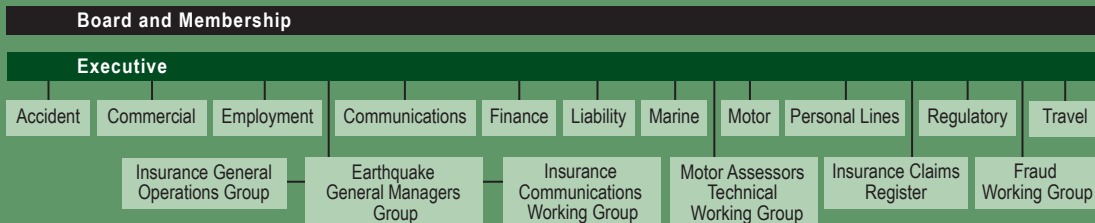
Front row, left to right: **Pietro Toffanello** GenRe, **Chris Black** Vice President FMG, **Jacki Johnson** President IAG, **Tim Grafton** Chief Executive ICNZ, **Gary Dransfield** Vero.

Inserted, left to right: **Chris Curtin** AA, **Cris Knell** AIG, **Martin Stokes** MAS.

Council Structure



Committee Structure



Mission

Promoting and Shaping a Responsive and Sustainable Insurance Industry to Safeguard New Zealand.

Our overarching objective is to ensure all New Zealanders have trust and confidence in insurance.

In our work, we uphold the values of: acting with integrity, professionalism, working as a team, being informed and providing value for money



“The critical role insurance plays in underpinning New Zealand’s economic success is evident from the insurance contribution to the recovery in Canterbury.”

President’s Report

As I complete my second year as President I have reflected on the role insurance is playing in the growth of the NZ economy and supporting our communities. New Zealand enjoys one of the highest levels of insurance penetration in the world, but it is also one of the most vulnerable to expected loss from natural disasters as a percentage of GDP.

The critical role insurance plays in underpinning New Zealand’s economic success is evident from the insurance contribution to the recovery in Canterbury. Insurance and reinsurance is now one of the main drivers of New Zealand’s economic growth. This will continue throughout the next two years as the residential rebuild in Christchurch reaches its peak and this period will account for most of those rebuild costs.

By the end of 2013, over \$10 billion of claims had been settled. Over 70% of commercial and almost half of all residential claims had been resolved reflecting the commitment insurers have to the recovery. These milestones were achieved in a challenging year where issues beyond insurers’ control continued to impact on the recovery, such as, access to data, consent delays, previously untested approaches to land settlement and developing methods for dealing with the complexity of settling multi-unit dwellings.

I want to acknowledge the leadership and the tireless efforts of the teams who continue working hard to remove the blockages to recovery and help our customers recover from the series of earthquakes.

Looking ahead, if New Zealand is to maintain the security of knowing adequate insurance is in place commensurate with the risk the country faces, then it will require capital both from insurance shareholders and reinsurers to continue to be invested in this country. To achieve this we will require demonstration of a

reasonable return on capital. Yet over the last 10 years New Zealand underwriters have only experienced two years where returns were seen as adequate.

This tells us that New Zealand premiums have been significantly under-priced for the risk the country has faced for many years.

Additionally our prudential regulator, the Reserve Bank of New Zealand, is requiring underwriters here to be backed by more reinsurance capital than any other jurisdiction, creating a higher hurdle for meeting return requirements and an obstacle to attracting investment capital. This will continue to drive up premiums and particularly for those regions more prone to Earthquake risk.

While insurers support a well-regulated market that provides protection for policyholders, this needs to be balanced against adding significantly to the cost of insurance. It would be self-defeating if the additional capital insurers were required to hold meant that cover for some people became unaffordable and therefore made them more reliant on the Government or their own means when catastrophe strikes.

High levels of insurance in the future cannot be taken for granted. Equally, insurers must work hard at earning the trust and confidence of the public. We must demonstrate that we are providing good value for the underwriting risk the country faces and that high levels of insurance penetration reflect an efficient, competitive market.

Equally, there is a shared responsibility across the community to ensure New Zealand improves the way it manages the risks it faces. Some sectors of the economy, for instance, wholesale and manufacturing, which contribute about 25% of New Zealand’s GDP, appear to be inadequately insured, so the high levels of residential insurance penetration can disguise other vulnerabilities.

Boards, insurance brokers and broader industry groups need to work together to help businesses across all sectors understand their vulnerability to unexpected events, assess their appetite for risk and seek the appropriate cover. This will provide the necessary ongoing protection for New Zealand’s economy and communities.

Last year, was the most expensive in terms of insurance loss from weather-related events for the past decade. Those storms and the salient reminder given by the central New Zealand earthquakes in July

and August reinforce the message for New Zealand to take a more co-ordinated and strategic approach to pre-disaster planning.

Insurers welcome steps being taken by the Government to increase research funding into building resilience to natural disasters and to relocate the Ministry of Civil Defence and Emergency Management to the Department of Prime Minister and Cabinet.

It will be important as New Zealand builds its resilience to natural disasters that high quality hazard mapping informs decision-making at both central and local government level. The more that can be invested in appropriately managing risks before they become disasters, the more that will be saved in economic and social costs. It will also help keep New Zealand an attractive destination for insurance capital and help make premiums more affordable.

The last 12 months also saw major change occur for home insurance policies. As another consequence of the Canterbury earthquakes, most insurers were required to switch from open-ended total replacement policies to an agreed sum insured policy.

The change returns New Zealand to the situation that existed more than 20 years ago and puts it in step with the norm in most other countries. It provides certainty around the total exposure faced.

Insurers have found the transition to the new policies has largely gone through smoothly. Insurers have provided a lot of information and guidance to help customers estimate how much to insure their homes for. There will be an additional cost for those who opt for professional assistance, but it is a healthy sign that homeowners are taking a direct interest in how to manage the risk around their most precious asset.

Regulatory matters continue to be an area where the Insurance Council has had to remain vigilant. The transition to full licensing by the Reserve Bank was completed in September 2013. We are pleased that the bank has indicated a willingness to engage constructively with the industry and a preparedness to increase its technical knowledge of the industry.

As a general principle, insurers are keen to see better communication of the strategic objectives that regulation seeks to achieve. Greater consistency and transparency around the rationale for regulatory measures together with better oversight of the regulators to ensure adverse, unintended consequences do not arise would be welcome developments.

We have taken steps to improve the understanding of the insurance sector among decision-makers and we encourage them to consult with the industry before finalising positions. Changes to policy settings often

An Auckland resident is comforted by a friend after a tornado ripped through Devonport in October.

2013 was one of the most expensive years for weather-related damage with over \$175 million of insured costs arising from weather-related events.



Image source: New Zealand Herald

have far-reaching ramifications and need to be well thought through.

One regulatory area in particular continues to be a sore point for insurers – the Fire Service Levy – a tax which is applied to insurance premiums paid for domestic and commercial property cover. This is an unfair tax as the under-insured and non-insured are able to benefit from the public good provided by the Fire Service and it adds to the cost of insurance. New Zealand is out of step with jurisdictions elsewhere which have transitioned to more equitable and efficient means of funding fire services.

The Insurance Council is proud of its record as a regulator of itself over and above the statutory requirements members must meet. The framework for this is built around the Fair Insurance Code which sets obligations on insurers and the insured. Toward the end of the year, submissions were invited from the public and representative organisations on any changes they would like to see to the Code.

2013 was a year of growth for the Insurance Council reflecting the value insurers see in being members of an organisation that provides the means of dealing with issues that are more effectively and efficiently handled on a collective basis. The Board was therefore happy to welcome as members Credit Union Insurance, CBL Insurance, Provident Insurance and the return of QBE after a number of years.

I would like to thank the team at the Insurance Council for their work and commitment. They have made numerous submissions on behalf of our members to advance the Canterbury recovery and on regulatory matters and have represented the industry in many public forums. It is a small team that works hard to service members across a wide range of issues and to build and protect the reputation of the industry.

I would like to highlight the Insurance Council's annual conference in November as a highlight of the industry's conference calendar. A wide range of high calibre speakers presented to make this a successful event which was open to the media for the first time.

The release of the Insurance Handbook and efforts to establish a media award to improve public understanding of insurance issues are developments members have been pleased to see. Members are keen to support initiatives designed to improve financial

literacy and understanding of our industry and look forward to progress in this area over the coming year.

Members play an important role in assisting the industry with their leadership and contribution through the Insurance Council's Standing Committees and Working Groups. They contribute their expertise to the work of the Council and the industry. I want to acknowledge that contribution through their skills and professionalism as our industry and the Insurance Council is stronger for that effort.

I would also take this time to reflect on our employment brand as an industry. We are now attracting people with more diverse backgrounds and skills. Our people have all risen to the challenges we face and also continue to work on building the reputation of our industry through their efforts.

I also want to acknowledge that it has been an extremely busy year for my fellow Board members. Over and above the normal commitment to Board meetings, they have come together to support engagement with stakeholders, myself and the Chief Executive on critical issues. I am grateful for their support and the time they give from their commercial commitments in the governance and support of the Council. Their contributions throughout the year have been substantial.



Jacki Johnson
President
Insurance Council of New Zealand

Council Activities 2013/14

The following list of activities is provided to identify the specific work outcomes of the Council, Committees and Working Groups. Some of the activities were extensive in nature, others relatively minor. All, however, are part of the Insurance Council's drive to deliver the Strategic and Business Objectives set down by the members and Board.

While a significant proportion of the Council's activities during the 2013/2014 period have been earthquake-related, the Council has also continued its normal core functions of Regulation, Knowledge Management and Representation of members' interests.

Submissions and Work with Government

- Work with Government and Treasury on potential EQC Review
- Work with Government and MBIE on Unfair Contract Terms in the Consumer Law Reform Bill
- Work with Government and Internal Affairs on review of Fire Service Funding
- Presented to the Commerce Select Committee on ICNZ's submission on the Financial Reporting Bill
- Work with Government and RBNZ on ICNZ members' transition to full licensing
- Submission on Reserve Bank's Paper regarding the Quality of Capital and Regulatory Treatment of Financial Reinsurance (Mar 2013)
- Submission on Insurance (Prudential Supervision) Amendment Bill (Jun 2013)
- Submission on Reserve Bank's Paper regarding Guarantees and Off-Balance Sheet Exposures (Aug 2013)
- Submission on Unit Title Amendment Bill Consultation Doc (Feb 2013)
- Submission on Law Commission's review of Joint and Several Liability (Feb 2013)
- Submission on Financial Markets Conduct Regulations – Discussion Paper (Mar 2013)
- Submission on RBNZ's Consultation paper on Off Balance Sheet Exposures
- Submission on Productivity Commission's Issues Paper – Boosting Productivity in the Services Sector (May 2013)
- Submission on Productivity Commission's First Interim Report on Service Sector Productivity (Aug 2013)
- Submission on Productivity Commission's Paper on Regulatory Institutions and Practices (Oct 2013)

Other Council Activities and their Outcomes

Earthquake Related Matters

- High Court - successful judicial review of Christchurch City Council's approach towards seismic strengthening
- Court of Appeal - successful defence of University of Canterbury's appeal against High Court's seismic strengthening decision
- Establishment & facilitation of the joint Insurer, EQC, CERA, "Land Repair Steering Group" that meets regularly to develop understandings to land repair technology & coordinate the large number of tasks needed to advance land repairs and allow home repairs & rebuilds to progress as fast as possible.
- Managed the Earthquake GM's Committee work programme
- Represented members in the fortnightly CE's Earthquake Recovery meetings
- Facilitated the work of the Shared Property Project on repairs and rebuilds of multi-units
- Represented members on the Residential Advisory Service Governance Group and Operations Committee
- Worked with CERA on the development of earthquake recovery statistics
- Represented insurers at two CERA-led recovery workshops
- Facilitating inter-agency Communications Group

Other Committee/Working Group Matters

Commercial

- Ongoing work on development of a new advisory core wording for Property & Profits insurance policies
- Liaison with the NZ Institute of Quantity Surveyors & joint agreement to develop an insurance valuation check list.
- Representation on Standards NZ review panel for updates to Standard Conditions of Contract – NZS3910
- Members training workshop for the new Standard Conditions of Contract NZS3801-2013 - Auckland
- Joint ICNZ/CERA workshop for Christchurch anchor project construction details & time frames
- Ongoing liaison with the Fire Protection Association of NZ
- ICNZ contributed to the joint funding for the review & completion of the fire sprinkler standard NZS4541-2013
- Liaison with construction industry parties over concerns with the compliance for seismic restraint systems for services and ceilings in buildings following earthquakes in Canterbury and Wellington

Communications & Public Education

- Establishment of the ICNZ Communications & Public Education Committee
- Adoption and approval of a formal three-year ICNZ Communications Strategy
- Development of Financial Literacy plan
- Development of Excellence in Insurance Journalism Award
- Publication of the ICNZ Handbook – Short Guide to the General Insurance Industry
- Updating and revamp of the ICNZ Website

ICR

- Developed ICR Licensing Agreement
- Reviewed ICR Participation Agreement

Finance

- Prepared a submission on RBNZ Quality of Capital Consultation Paper
- Prepared a submission for IRD paper on the issue of the opening balance of Outstanding Claims Reserves for Insurance Business that is introduced into New Zealand

Marine

- Sponsorship of 2013 ANZIIF student Marine Prizes (Highest achievements in Marine Claims & Underwriting).
- Ongoing representation on the International Union of Marine Insurers (IUMI) Cargo Committee
- Representation at the 2013 London IUMI conference
- Ongoing liaison with Maritime New Zealand over the new rules for Maritime Operator Safety Systems, Commercial Vessel Navigation Limits & Vessel Operator Qualifications.
- Representation at the Maritime Law Conference – Taupo.

Motor

- Completed updates to the ICNZ Commercial Motor Advisory Core wording
- Joint agreement with collision repair industry to develop a code of practice for minimum training and equipment standards for shops undertaking structural repairs
- Liaison with both Ministry of Transport & the Road Transport Forum of NZ on virtues of the new heavy fleet operator rating system that takes full effect in 2014
- Rental Vehicle Loss of Use Guidance update
- Submission to Land Transport Rule – Vehicle Standards Compliance Amendment – Warrant of Fitness Rule Changes
- Disputes Tribunal Training Workshop for members staff - Auckland

Personal Lines

- Worked with Quantity Surveyors and Valuers organisations on changes to sum insured policies for residential property policies
- Worked with Newmont Wahi Gold on insurers concerns around gold mining under Wahi Township
- Assisted Public Trust with development of a process for working with insurers on insurance of deceased estate property

Employment

- Completion of the 2013 General Insurance Remuneration Survey
- Continued close liaison with ANZIIF and The Employment and Education Committee on ANZIIF qualifications and events

Fraud and Crime

- Represented insurance industry on the Police Crime Prevention Partnership Forum
- Developed a process to assist Police with enquiries about insurance on assets being sought under the Criminal Proceeds (Recovery) Act 2009
- Launched a Fraud Hotline for the public to provide information to insurers about suspected insurance frauds

Travel

- Developed a protocol with MFAT around catastrophe events, particularly quarantine/evacuation events
- Worked with the Cruise Lines International Association of Australasia to encourage development of generic guidelines between international cruise line operators

Presentations

Insurance Council staff made presentations to: PWC Banana Skins Auckland, Wind Energy Association Annual General Meeting Wellington, ANZ customers in Blenheim, CERA's vulnerable people's forum, NZILA Annual Conference on Climate Change, Grey Power (Lower Hutt, Porirua and Wellington), Val Group Conference, Canterbury Community groups on progress with the Canterbury rebuild, CERA's recovery workshop on shared properties, ANZIIF Risk Rendezvous on Reputational Management, New Zealand Insurance Law Association (Dunedin and Christchurch), New Zealand Retirement Villages Association (Gold Coast), ANZIIF regional meetings (Christchurch and Tauranga) and ANZIIF/AICLA Claims Convention (Sydney), New Zealand Institute of Building – Bounce Back Conference (Auckland).



“As the new Chief Executive, a priority was to lift the organisation’s level of public and stakeholder engagement.”

Chief Executive’s Report

The past 12 months marked significant change at the Insurance Council. As the new Chief Executive, a priority was to lift the organisation’s level of public and stakeholder engagement in response to the risk to insurers’ reputation arising from the Canterbury earthquakes. It soon became apparent that raising the understanding of insurance is going to be a wider, ongoing challenge for us.

A new Strategic Plan was developed which identified three overriding objectives to:

- successfully manage residential and commercial issues arising from the Canterbury situation
- contribute to New Zealand’s economic strength by supporting an efficient, competitive, innovative and well-regulated insurance sector, and
- improve trust and confidence in the sector through better education of stakeholders and the public.

Much of our efforts in Canterbury over the past year have been directed to the challenges posed by the most damaged land, a responsibility for the Earthquake Commission (EQC), the complex issue of settling shared properties and improving our communications with the public. Our members have put significant resources into addressing these issues so their customers can be assisted to move forward.

On land, insurers welcomed the EQC’s acknowledgement in the first half of the year that there is land which is more vulnerable to liquefaction than prior to the first earthquake. For the remainder of the year the EQC developed a methodology to remediate such land to its former state.

The Insurance Council’s role throughout this has been to facilitate working groups to enable members to understand and interrogate the novel approach EQC

has adopted. While the completion of pilot tests and a commercial option for remediating land is still pending, this co-operation has opened the door for calculating compensation for landowners and thereby enabling property claims to be settled.

The land issue is unique to New Zealand as insurers do not provide cover for land but EQC does to a statutory limit that enables a property to be rebuilt on a minimum section size. For this reason, land compensation is integral to enabling property replacement to occur and insurers believe this needs to be recognised in law.

The Insurance Council has also facilitated an approach to tackle problems around shared properties. These problems include having adjacent properties in the same building with different insurance cover, different insurers, or sometimes no insurance and in many cases there may be unit holders with different levels of health, wealth, understanding and dependency.

Learnings from successful pilot studies have been drawn on to develop a co-ordinated approach to enable these claims to progress. Even so, these properties by law require 100% owner agreement to any repair giving rise to issues beyond insurers’ control. A lesson for the future for the whole of New Zealand is to move away from cross-lease situations to strata title or freehold arrangements and for cross-lease owners in a single property to insure with a single insurer. This would make settlements post disaster so much easier for many customers.

We adopted a two-pronged approach to communications in Canterbury by dedicating over 50% of our communications resource to Canterbury. This involved taking a more pro-active approach with the media on all issues, being accessible and always being prepared to front the ‘bad news’, thereby gaining media respect.

In parallel, the Insurance Council has also focused on deepening relationships with community groups and key stakeholders through regular engagement and briefings. We believe that being transparent about issues and how the recovery is progressing is the best way of building confidence in the work insurers are doing.

The relationships we have established encourage community groups to deal directly with the Insurance Council about concerns rather than via the media and enables them to deliver information unfiltered by the media’s lens.

The Insurance Council has reported publicly providing a detailed breakdown of statistics to enable the residential recovery progress to be tracked and to enable customers to have confidence in the recovery efforts being made on their behalf.

Insurers have now settled \$10.2 billion of claims comprising \$3.5 billion in residential and \$6.7 billion in commercial claims. During 2013, insurers settled \$1.56 billion of residential claims at an average of over \$4 million settled daily. These figures show that insurers remain on track to have virtually all their residential customers' claims settled by the end of 2016. Over \$2 billion of commercial claims were also settled last year and the vast majority of these claims are complete.

Members of the Insurance Council made the single largest contribution, \$325,000, to establish the Residential Advisory Service (RAS) to enable individuals to navigate their way through problems they faced including insurance issues. The Insurance Council has also met regularly with the Human Rights Commission to inform about measures being taken to help residents, including the application of a vulnerability index to enable those most in need to be prioritised in the recovery process.

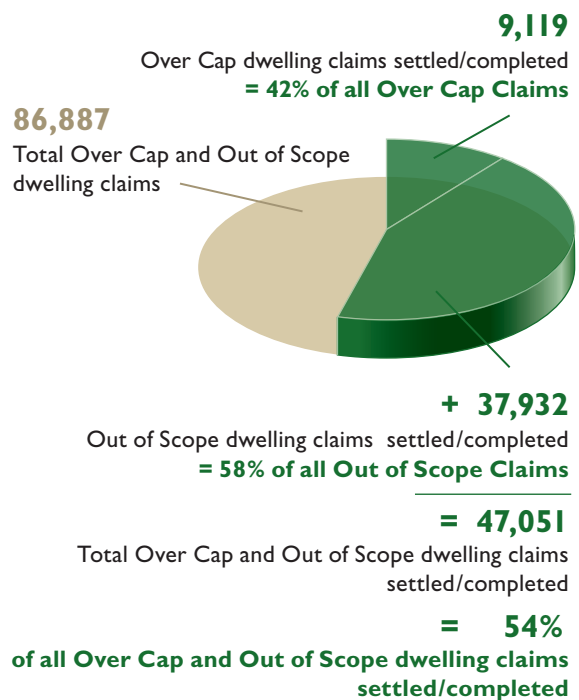
The Insurance Council has endorsed the Canterbury Rebuild Safety Charter to minimise injuries and to support our members who have committed themselves to enact it.

We have worked to enable houses in the Red Zone that would otherwise be demolished to be available for community housing where shortages exist. Insurers have also led the demolition programme in that zone, removing the vast majority of properties that were settled directly with insurers that had become targets for vandalism. We have now agreed to assist CERA with its approach to demolition of the remaining properties.

The recovery has not been without its frustrations. Access to data from other agencies, failures in the consenting process and delays in releasing critical data on mass land movements in the Port Hills have all presented challenges beyond insurers' control. Insurers also remain concerned about the number of properties that are still being changed from under cap to over cap by the EQC as this directly impacts on their reserving and the capital charges they are required to pay under the Reserve Bank's licensing regime.

Canterbury Earthquake Residential Dwelling Claims

Total Over Cap and Out of Scope claims with insurers as at 31 December 2013



All Canterbury Earthquake Claims

Total value of all residential and commercial claims with insurers as at 31 December 2013

Value of all residential claims settled/completed as at 31 December 2013
\$NZ 3.51 billion

Value of all commercial claims settled/completed as at 31 December 2013
\$NZ 6.71 billion

It has been a busy year on the regulatory front. A lot of effort went into submitting on the Treasury-led Earthquake Commission Review which has yet to be released. An opportunity exists for the Government to ensure some of the causes of delay in the event of a similar catastrophe are removed.

The Insurance Council invested considerable time into persuading the Government to overturn ill-conceived advice from officials on how the unfair contract terms of the Consumer Law Reform Bill applies to insurance. Changes made to that legislation

address those flaws though insurers are firmly of the view that these need to be incorporated in a comprehensive revamp of the Insurance Contracts Bill. The Insurance Council believes that legislation needs to follow the practise across the financial sector of requiring brokers to disclose their commissions to the insured who they represent.

Research commissioned by the Insurance Council from the New Zealand Institute for Economic Research confirmed the view that applying the fire service levy to insurance premiums fails all best practise criteria for best practise tax. A shift to another system, such as, a property tax, will not only be more equitable and efficient, but will bring a net benefit to all New Zealanders.

In September 2013, all insurers were required to come under the full licensing regime of the Reserve Bank. The Insurance Council will engage with the Bank on a regular basis and continue to advance the case for enhanced monitoring of the impact of regulation on the sector by The Treasury so adverse unintended consequences can be better addressed.

The Insurance Council has also made submissions to the Productivity Commission on these and other issues including the need for more transparent rationale for regulatory measures. We are also keen to see changes to the way in which the Financial Markets Authority is funded as currently insurers have little interaction with it but bear substantial costs.

A new Communications Manager was appointed in June 2013 and the Board approved the establishment of the Communications and Public Education Standing Committee. While in its infancy, the committee will provide the platform for generic communications on critical issues like financial literacy.

The Insurance Council has been particularly active in accepting public and industry speaking engagements thus supporting the likes of the New Zealand Insurance Law Association and the Australian and New Zealand Institute of Insurance and Finance. I was pleased to accept an invitation to join the Board of the New Zealand branch of ANZIIF this year.

We have also been active in supporting the transition to sum insured for house policies, responding to speaking

In 2013 the Council launched the Insurance Handbook and developed a strategy for insurance-related financial literacy projects.



requests, numerous public inquiries and working with professional bodies representing quantity surveyors to develop rebuild assessment templates.

Raising understanding of insurance is a key focus for us. This year we launched the Insurance Handbook, a layman's guide to general insurance and an e-newsletter that targets stakeholders and the media. We opened our annual conference to the media for the first time and at year's end we were finalising co-sponsorship with the Journalism Training Board of an annual media award to promote understanding of insurance. This will sit alongside the ICNZ-ANZIIF scholarship that is awarded annually to a young employee to advance their knowledge of insurance.

The Insurance Council has started to track the industry's reputation and other key metrics. Insurers should be encouraged that 63% of the public have a favourable opinion of our industry in general though there is clearly room for improvement.

Other initiatives undertaken this year include the introduction of a fraud hotline and hosting specialist workshops for members on fraud and commercial issues. The final steps have now been taken to enable the recruitment of a Manager for the Insurance Claims Register who will be based at the ICNZ.

We have also deepened our relationships with other organisations. The Council is now a member of Business New Zealand's Associated Industries Group. The Council has signed Memoranda of Understanding with the Financial Services Council and the Health Funds Association to work with each on areas of mutual interest. We are also a member of the Kindred Financial Service Organisations, an informal grouping of other insurance bodies as well as representatives of bankers and non-bank deposit takers who meet quarterly to discuss issues of mutual interest. We have also established regular quarterly meetings with Local Government New Zealand. These alliances will enable us to be more effective in our work on behalf of members.

2013 brought timely reminders about the risks New Zealand faces. It was the most expensive year for insurance claims arising from natural disasters for the past decade with \$175.3 million from major storms. These events have been used to reinforce our call for more co-ordinated, pre-disaster planning and risk management, an area where we will continue to have strong focus on.

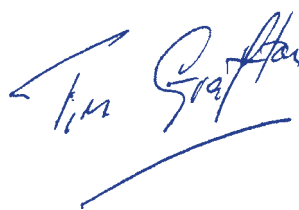
In March, the Insurance Council addressed an earthquake risk it faced and relocated to new premises on The Terrace. The opportunity was also taken to upgrade its IT systems and to revamp the website with plans to make it more user-friendly. Business Continuity and Disaster Recovery Plans have been introduced as well as a Health and Safety Plan.

The Insurance Council welcomed four new members during the year – Credit Union Insurance, CBL Insurance, Provident Insurance and QBE, a former member that has returned to the fold, taking our membership to 29.

The Council is grateful to the Board for approving the first increase in levies for 15 years. This long overdue increase places the Council in a better position to meet the challenges ahead from a strong financial base.

The Insurance Council has a strong team culture and I want to acknowledge the efforts of all staff for their contribution over the past year. Special recognition is made of one of our administrative support staff, Madeleine Mitchell, who retired after service to the Council for almost 25 years.

I want to thank the support of the President, her fellow directors and members during this first full year in the role. A special thanks also goes to the team at the Insurance Council for their support to me and in implementing our strategy to better service our members



Tim Grafton
Chief Executive
Insurance Council of New Zealand

Industry Statistics

All Business 12 months to September

Year-End	2009	2010	2011	2012	2013
Gross Written Premium (\$)	3,416,891,966	3,604,101,963	3,979,548,054	4,448,725,196	4,770,148,673
Net Written Premium (\$)	2,911,449,528	3,119,058,942	3,179,010,972	3,462,270,445	3,652,556,360
Net Earned Premium (\$)	2,857,200,899	3,073,050,146	2,962,014,374	3,247,031,758	3,506,529,351
Claims Incurred (\$)	1,845,390,159	2,096,548,674	3,311,871,292	2,206,076,841	2,174,942,392
Loss Ratio (%)	64.59%	68.22%	111.81%	67.94%	62.03%
Business Costs (Staff etc) (\$)	941,101,455	996,683,386	1,023,410,108	1,006,100,070	1,200,746,602
Combined Ratio (%)	97.53%	100.66%	146.36%	98.93%	96.27%

Commercial Material Damage and Business Interruption 12 months to September

Year-End	2009	2010	2011	2012	2013
Gross Written Premium (\$)	464,184,727	469,043,879	502,455,302	589,915,428	598,432,282
Net Written Premium (\$)	283,055,759	297,579,539	292,078,059	306,669,880	325,879,410
Net Earned Premium (\$)	275,462,767	291,158,018	280,155,525	276,305,711	322,693,671
Claims Incurred (\$)	167,431,550	172,180,899	155,895,787	226,855,573	192,309,752
Loss Ratio (%)	60.78%	59.14%	55.65%	65.50%	59.60%

Domestic Buildings and Contents 12 months to September

Year-End	2009	2010	2011	2012	2013
Gross Written Premium (\$)	840,054,112	933,495,375	1,052,270,223	1,170,172,533	1,342,027,881
Net Written Premium (\$)	778,957,391	866,335,821	904,836,784	963,207,401	1,082,408,518
Net Earned Premium (\$)	755,435,740	839,897,275	826,974,807	898,261,166	1,002,937,356
Claims Incurred (\$)	541,263,823	525,356,791	515,234,420	532,924,232	582,828,477
Loss Ratio (%)	71.65%	62.55%	62.30%	59.33%	58.11%

Motor Commercial and Private 12 months to September

Year-End	2009	2010	2011	2012	2013
Gross Written Premium (\$)	1,210,153,486	1,266,098,899	1,339,829,531	1,355,055,482	1,410,050,905
Net Written Premium (\$)	1,185,128,372	1,253,440,464	1,319,857,990	1,335,018,668	1,393,761,828
Net Earned Premium (\$)	1,157,985,830	1,233,098,039	1,265,751,060	1,308,806,948	1,366,159,713
Claims Incurred (\$)	811,497,477	791,265,591	824,763,162	831,303,537	886,385,444
Loss Ratio (%)	70.08%	64.17%	65.16%	63.52%	64.88%

Marine Hull and Cargo 12 months to September

Year-End	2009	2010	2011	2012	2013
Gross Written Premium (\$)	126,435,782	119,594,972	125,403,642	144,329,385	137,235,745
Net Written Premium (\$)	108,294,198	97,666,992	95,310,182	113,845,851	112,054,232
Net Earned Premium (\$)	104,816,033	99,658,692	93,872,738	106,131,028	111,737,383
Claims Incurred (\$)	61,083,237	58,600,332	59,722,860	68,334,669	47,759,994
Loss Ratio (%)	58.28%	58.80%	63.62%	64.39%	42.74%

Liability Professional & Defamation, Directors & Officers and Public Product & Other 12 months to September

Year-End	2009	2010	2011	2012	2013
Gross Written Premium (\$)	279,800,946	298,229,655	313,644,264	337,991,478	368,972,214
Net Written Premium (\$)	242,850,562	255,992,543	269,481,979	271,017,729	292,977,466
Net Earned Premium (\$)	238,435,422	250,185,778	261,188,903	264,165,039	284,297,206
Claims Incurred (\$)	114,598,447	163,998,021	127,512,090	116,058,093	119,499,270
Loss Ratio (%)	48.06%	65.55%	48.82%	43.93%	42.03%

Earthquake Domestic, Commercial M.D., Business Interruption and Marine Cargo 12 months to September

Year-End	2009	2010	2011	2012	2013
Gross Written Premium (\$)	212,963,164	220,172,442	350,256,361	548,513,318	608,686,700
Net Written Premium (\$)	112,741,108	116,710,783	69,248,376	249,950,471	221,723,316
Net Earned Premium (\$)	109,982,325	115,211,252	4,796,126	170,848,763	198,612,059
Claims Incurred (\$)	6,033,131	242,689,944	1,494,617,694	344,794,781	228,581,132
Loss Ratio (%)	5.49%	210.65%	31,163.02%	201.81%	115.09%

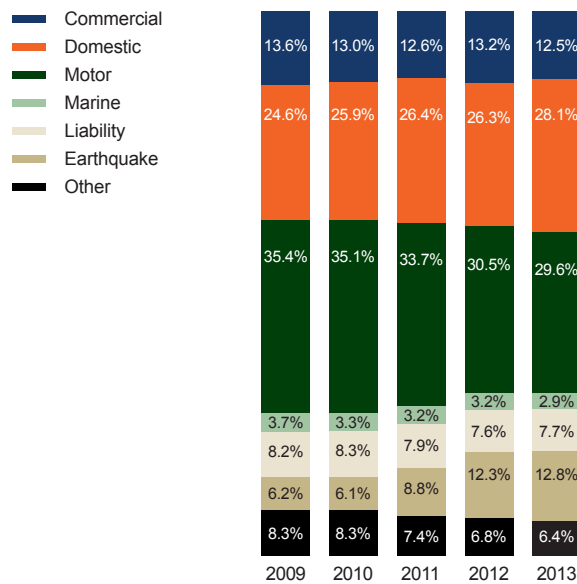
Other Personal Accident, Travel, Livestock and Other 12 months to September

Year-End	2009	2010	2011	2012	2013
Gross Written Premium (\$)	283,299,749	297,466,741	295,688,731	302,747,572	304,742,946
Net Written Premium (\$)	200,422,138	231,332,796	228,197,602	222,560,445	223,751,590
Net Earned Premium (\$)	215,082,782	243,841,103	229,275,215	222,513,103	220,091,963
Claims Incurred (\$)	143,482,494	142,457,105	134,125,279	131,668,122	117,578,323
Loss Ratio (%)	66.71%	58.42%	58.50%	59.17%	53.42%

Gross Written Premiums of Business Classes 12 months to September

Year-End	2009	2010	2011	2012	2013
Commercial (\$)	464,184,727	469,043,879	502,455,302	589,915,428	598,432,282
Domestic (\$)	840,054,112	933,495,375	1,052,270,223	1,170,172,533	1,342,027,881
Motor (\$)	1,210,153,486	1,266,098,899	1,339,829,531	1,355,055,482	1,410,050,905
Marine (\$)	126,435,782	119,594,972	125,403,642	144,329,385	137,235,745
Liability (\$)	279,800,946	298,229,655	313,644,264	337,991,478	368,972,214
Earthquake (\$)	212,963,164	220,172,442	350,256,361	548,513,318	608,686,700
Other (\$)	283,299,749	297,466,741	295,688,731	302,747,572	304,742,946
Total (\$)	3,416,891,966	3,604,101,963	3,979,548,054	4,448,725,196	4,770,148,673

Gross Written Premiums of Business Classes by Percentage 12 months to September



The Insurance Council of New Zealand

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Debbie Wilson	IAG

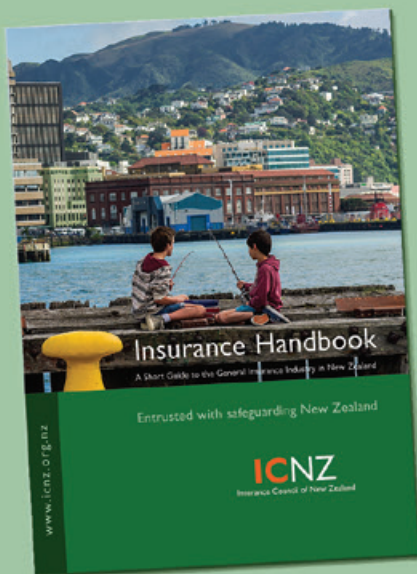
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Ryan Clark	AIG
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Fraser Walker	Chartis

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The Insurance Handbook is a layman's guide to New Zealand's general insurance industry.

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