



# Insurance Council **Review 2014**

Improving financial risk literacy and understanding of the crucial role insurance plays

**ICNZ** Insurance Council  
of New Zealand

Entrusted with safeguarding New Zealand





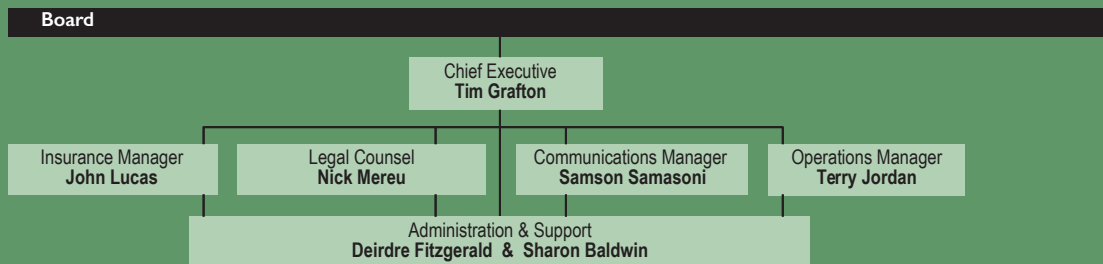
## Insurance Council of New Zealand Board 2014

**Back row, left to right:** **Paul Martin** ACE, **David Hancock** Tower, **Pietro Toffanello** GenRe, **John Lucas** ICNZ, **Nick Mereu** ICNZ, **Samson Samasoni** ICNZ.

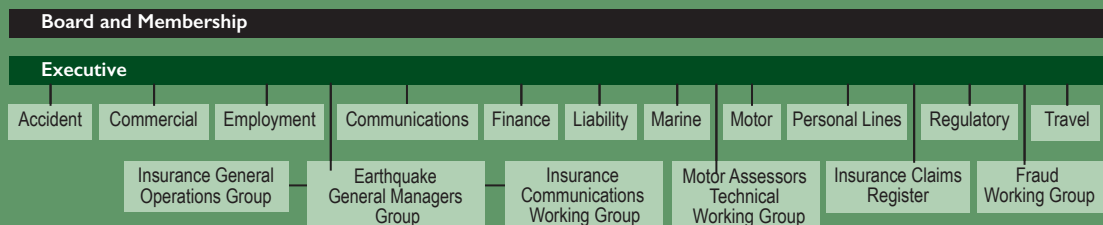
**Front row, left to right:** **Tim Grafton** Chief Executive ICNZ, **Chris Black** Vice President FMG, **Jacki Johnson** President IAG, **Martin Kreft** MunichRe, **Gary Dansfield** Vero.

**Inserted, left to right:** **Chris Curtin** AAI, **Ross Chaman** QBE, **Cris Knell** AIG, **John Lyon** Lumley, **Terry Jordan** ICNZ.

### 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



'By setting high standards of self-regulation, we will build greater levels of trust and confidence in insurance.'

## President's Report

We have an ambitious long term goal – “All New Zealanders to have trust and confidence in insurance.” Over the last year we have worked together on key activities that will help us achieve this. It has been a difficult year requiring the commitment of all. We must remind ourselves that we live in a country that has one of the highest insurance penetration against Gross Domestic Product (GDP), but one of the highest risks to a high impact but low frequency natural disaster. This means it is critical we stay focused on what is strategically important to our country. As I approach the end of three years as President I want to acknowledge the privilege it has been to lead our industry through a period of unparalleled insurance challenges and regulatory change.

We have worked solidly together demonstrating the core values we all signed up for. Consistently showing integrity, professionalism, teamwork and always trying to work from an informed position. It has been a demanding environment demonstrating that even in the toughest of times we have an ability and willingness to do what is right to enable insurance to support New Zealanders more effectively.

Some of our activities have been focussed on longer term objectives such as the review of the Fair Insurance Code and our work on Financial Risk Literacy. Other activities have been more immediate.

The continued economic contribution in Canterbury has had the most visibility.

2014 was the biggest for the recovery effort to date. Settlements have been running at \$10 million a day on average and building activity in Christchurch has been moving at unprecedented levels. By the end of 2014, over \$13.9 billion of claims had been settled. In terms of

anticipated final costs, 83% of commercial and 61% of all residential claims had been resolved.

While providing this support to New Zealand's second largest city provides a critical contribution to the country's economic growth, some less well known initiatives have made a positive difference for people in the city.

Our members supported a community-led scheme, *Find n Fix*, initiated by CanCERN, involving community, Government and private sector partners to identify homes in need of urgent repair and fix them before the onset of winter. Members also provided a second year of funding for the Residential Advisory Service to help guide people through the recovery process.

In the latter half of the year, the Insurance Council facilitated and members contributed to fund a television series to be a rich information source for people so they could better understand issues critical to them. By year's end, there had been over 100,000 individual online views of the programmes.

Special efforts were made to triage and support those who find it difficult to make decisions that are essential if their claims are to be progressed. Those who are undecided make up about half of the 10% of claims that are neither settled nor in some form of resolution. The balance are claims that have received no offer from insurers because they have only recently been handed to insurers by EQC or are part of complex shared properties.

The transfer of claims to insurers from EQC more than four years after the first events continues to be of concern. We must work together to design a system that does not result in double handling of claims and delays for our customers. It is difficult for customers and it is damaging to New Zealand's reputation in the eyes of offshore reinsurers who bear these additional costs. It is extremely frustrating for insurers who have been unable to assist their customers whilst the claim remained under the cap of \$100,000 (+GST).

The Insurance Council expects these and other issues to be addressed in the government's review of the Earthquake Commission scheme. This review was started by The Treasury in 2013 and we expect it to be advanced this coming year.

For the past three years I have chaired a group comprising Chief Executives from insurers, the EQC and CERA and the Christchurch City Council. For much of this time we met fortnightly and as the recovery has advanced, these are held monthly to ensure ongoing

progress despite the numerous complex issues that emerge. I want to acknowledge the dedication and professionalism brought to these meetings over this time and the support of those around the table.

As an industry, we have also reflected on how we can set service standards higher for all our customers in New Zealand by reviewing the Fair Insurance Code. This has been a major piece of work in 2014 starting with the consideration of public submissions through to an exacting look at international practises and many hours put aside by Board members and others to lift the bar higher.

The changes to the Code, which come into effect on 1 January 2016, are extensive and explain why it cannot be brought in sooner as significant system changes are required.

The new Code though will cover all our members' dealings with customers, not just claims, and establishes response times for acknowledging and processing claims. There will also be more accountability and public reporting of breaches of the Code.

By setting high standards of self-regulation, we will build greater levels of trust and confidence in insurance. For a country that is highly vulnerable to perils this is important because high levels of insurance penetration enable quicker and sustainable recovery from disaster.

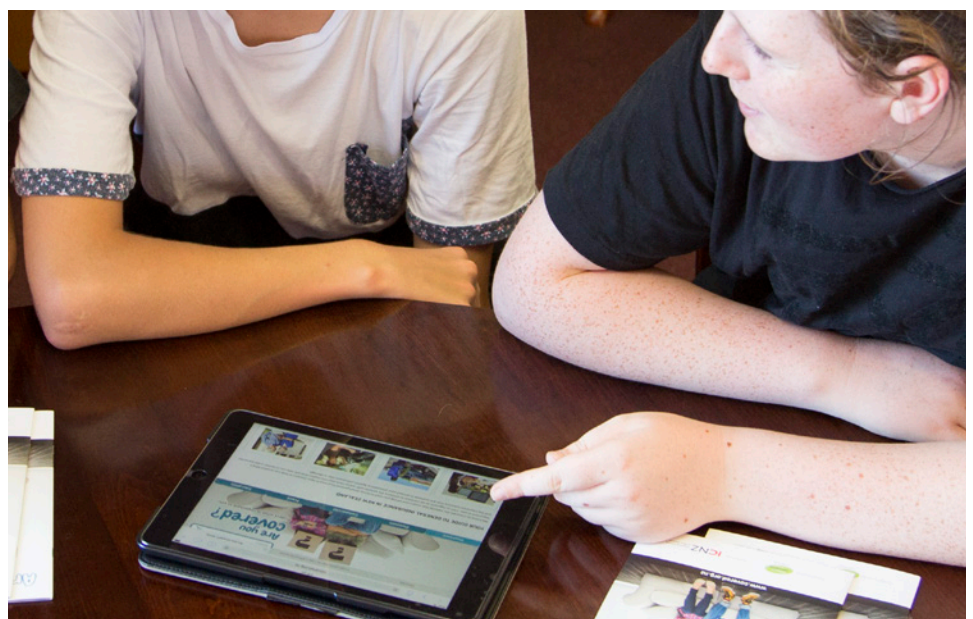
In that context the Insurance Council has been active this year in contributing ideas on helping to make New Zealand more resilient. It published a position paper titled *Protecting New Zealand from Natural Hazards* that has been widely distributed to decision-makers in central and local government.

This initiative is part of a wider effort being made to better inform New Zealanders about insurance. I was pleased to award the inaugural Insurance Council's Excellence in Journalism prizes in July. The top award went to Fairfax journalist Eloise Gibson for a series of articles on agreed sums insured for houses and Radio New Zealand's Erik Frykberg was highly commended for his piece on whether New Zealand could afford another major earthquake.

A new partnership has been developed with the Young Enterprise Trust to develop material that teaches about risk and insurance that can be integrated into the school curriculum. This together with other community outreach initiatives provide a platform on which to improve financial risk literacy and the crucial role played by insurance.

The Insurance Council's annual conference in November had the theme of changing risk and proved to be a highlight in the industry's conference calendar. It shone the light on fresh challenges and opportunities for the insurance sector in the future, with a strong focus on the implications of demographic and technological change and what this means in terms of relationships with our customers and our employment practices.

During 2014 the Insurance Council launched a 3-year strategy to improve financial risk literacy by developing a public education website [www.covered.org.nz](http://www.covered.org.nz), education resources for secondary schools in partnership with the Young Enterprise Trust, an Excellence in Insurance Journalism Award and an Introduction to Insurance programme of seminars for Community Advice Bureaux and other community groups.





In the regulatory area, the first full year of full licensing of insurers by the Reserve Bank has passed. The Reserve Bank has said it will take a risk-based approach to supervision which is welcomed. It has been prepared to listen to the industry's views and make adjustments to its initial approaches in some areas around data collection and solvency guidelines.

We support well designed regulation and believe this results from quality consultation. The industry remains concerned to ensure that compliance costs do not adversely affect the affordability and availability of insurance. So, we continue to advocate for the regulator to provide transparent reasoning for its decisions and for better oversight of regulators to ensure adverse, unintended consequences do not arise.

The industry will keep a watchful eye on developments following the implementation of the Sentencing Amendment Act in December. The effect of the Act is that New Zealanders may be personally liable to top-up ACC compensation if they are convicted of any criminal offence that causes bodily injury to another person.

Our interests were also raised by the Government toward year's end when the Minister of Internal Affairs said he would hold a broad-based review of the New Zealand Fire Service to see if there are additional matters that need to be looked at that were not addressed in the 2012 review of the service. A fundamental omission from that last review was a comprehensive consideration of how the service ought to be funded.

The Fire Service is funded from a levy on insurance premiums paid for domestic and commercial property cover. Not only is this inequitable, as the under-insured and non-insured benefit from the public good provided by the Fire Service, but it makes no sense since putting out fires is only a small part of the work carried out.

This issue will be pursued in 2015.

The past year also saw the appointment of an Insurance Claims Register Manager who is based at the Insurance Council's offices. This will see day-to-day support for users and dedicated analytical resource for the detection and prevention of fraud. Fraud is not a victimless crime, but a cost that all those who take out insurers have to bear.

The Insurance Council continued to attract new members in 2014 and the Board was happy to welcome as members Chubb Insurance and Youi Insurance, as companies see the value of being part of an organisation representing the industry. We also know there is interest from others to join because of the strong reputation the Insurance Council enjoys, but they are currently excluded by our rules.

The Insurance Council, which was established in 1895, needs to be responsive to dynamic changes in the market to maintain its per-eminent position as an industry organisation. It may be time for members to consider whether to open our doors to provide an opportunity for a wider pool of industry players to enter.

The team at the Insurance Council have had another busy year and achieved key objectives on behalf of all members while maintaining full support for the efforts associated with the Canterbury recovery. I acknowledge them for their dedication and enthusiasm on behalf of our industry.

Members have also made a significant contribution to our industry with their leadership and the input of their expertise through the Insurance Council's Standing Committees and Working Groups. We do not underestimate the commitment of all who serve on these committees. It is important that those appointed to these committees maintain a strong focus on proactively identifying issues and working across their companies, so we stay ahead of the curve.

Finally, I want to acknowledge my fellow Directors for their efforts. They have always shown a willingness to commit beyond the normal requirements at Board meetings to attend stakeholder functions and this year to contribute to the review of the Fair Insurance Code. It has been a pleasure chairing a dedicated group of Directors who come together putting aside their commercial positions for the good of the industry. I thank them for their support, professionalism and commitment.



**Jacki Johnson**  
*President*

Insurance Council of New Zealand

## Council activities 2014

The following list of activities is provided to identify the specific work outcomes of the Council, its committees and working groups. Some of the activities were extensive in nature, others relatively minor. All, however are part of the Council's drive to deliver the strategic objectives set down by Council members and the Council Board.

While a significant proportion of the Council's activities have been earthquake-related, the Council has also continued its normal core functions of regulation, knowledge management and representation of members' interests.

### Submissions to and work with Government

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- Work with MBIE on upcoming Financial Advisers' Act and Financial Service Providers (Registration and Dispute Resolution) Act 2008 review.
- Work with Ministry of Justice and ACC on the Sentencing Amendment Act 2014.
- Bi-annual meetings with RBNZ to discuss prudential regulation of insurers and speak to submissions.
- Submission to RBNZ on their Solvency Standard: Guarantees Consultation Paper.
- Submission to RBNZ on Financial Reinsurance Consultation Paper.
- Submission to RBNZ on Key Insurance Data.
- Submission to RBNZ on its Solvency Standard Re-Issue Consultation Document.
- Submission to RBNZ on the Collection of New Zealand Insurer Data
- Work with The Treasury on the review of EQC.
- Work with The Treasury and MBIE on issues relating to levels of insurance in New Zealand.
- Work Government and DIA on changing the way fire services are funded.
- Submission to MBIE on Draft Responsible Lending Code.
- Submission to LINZ on its review of the occupational regulation of valuers.
- Submission to MBIE on its Responsible Lending Code Discussion Document.
- Submission to the Local Government and Environment Select Committee on the Buildings (Earthquake-prone Buildings) Amendment Bill.
- Submission to the Productivity Commission on its draft report on regulatory institutions and practices.
- Submission to the Productivity Commission on its second interim report on boosting productivity in the services sector.
- Submission to the Productivity Commission on the regulation of financial markets
- Submission to the Local Government and Environment Select Committee on the Local Government Act 2002 Amendment Bill (No 3) 2013
- Development of the submission to the Inquiry into Parliament's Legislative Response to Future National Emergencies.

### Other Council activities and their outcomes

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#### Canterbury earthquake-related matters

- Successful defence in the Supreme Court of the Council's position on seismic strengthening of buildings.
- Representation of Members' interests in declaratory judgment proceedings brought to the High Court by EQC regarding compensation for increased vulnerability to flooding.
- Land Repair Steering Group that is represented by insurers and their geotechnical advisors, EQC and their geotechnical advisors, DPMC, CERA and Christchurch City Council have been working to understand the EQC land repair compensation eligibility modelling. During 2014 and early 2015 much data was exchanged between insurers and EQC to enable the parties to progress land claims which are expected to be settled by EQC in the 2nd quarter of 2015.
- GM's Group meetings held each month to review progress and make decisions on claims roadblocks
- CE's meetings took place each month as a reporting forum to keep track of the various insurer, EQC, CERA and Christchurch City Council work streams and provide assistance were any complications or delays may have occurred.
- ICNZ assisted with the Shared Property Project (SPP) administration and facilitation of meetings to resolve the complex issues around multi units and cross lease properties.
- ICNZ represented insurers on the Residential Advisory Service Governance Group and assisted in renegotiating insurer funding for the service.
- Revised the quarterly earthquake stats reporting to provide more information around where claims sit in the claims pipeline.
- ICNZ facilitated and supported members with PR and media liaison activities, including the implementation of an insurance television series presented by CTV-Rebuild Christchurch

## Other committee and working group activities

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### Commercial Property Committee

- Commercial Property Committee successfully completed and released the new Insurance Council Advisory Material Damage and Business Interruption Advisory Core Wording. The new advisory wording now clarifies many of the issues that ended in claims disputes following the Canterbury earthquakes.
- The Commercial Property Committee assisted with the planning of successful Business Interruption training workshop jointly supported by ICNZ and IBANZ. The workshop attracted 98 attendees. ICNZ & IBANZ are planning a more advanced Business Interruption training workshop in 2015.

### Communications

- Awarding the inaugural Excellence in Insurance Journalism Awards
- Initiating partnership with Young Enterprise Trust to develop insurance literacy campaign and resources
- Launch of teaching resources to support risk and insurance topics in four Personal Financial Management Unit Standards, Levels 2 and 3
- Development and launch of the insurance public education website resource "Covered"
- Participation in Commission for Financial Literacy & Retirement Incomes' Money Week programme
- Publication of "Are you Covered? Your First Guide to Insurance" booklet
- "Introduction to General Insurance" workshops with 34 Community Advice Bureaux throughout the country

### Disputes Tribunal Working Group

- Updated the Disputes Tribunal User Guide for members

### Employment

- Preparation of 2015 Remuneration Survey
- Close liaison with ANZIIF on events and qualifications for NZ members.

### Finance

- Liaised with IRD over their requests for Canterbury earthquake payments data from insurers.
- Establishment of an industry process for requesting and paying for Traffic Crash reports.
- Held a Training workshop in conjunction with CPA for industry accounting staff on Ratios, Metrics and Benchmarking.

### Insurance Claims Register

- Commenced operating as a separate entity
- Employed a full time manager with responsibility for all ICR functions.
- Finalised an agreement for bringing on board ICR licensed access users.
- Completed a survey among ICR users on satisfaction with the ICR system.
- Commenced a regular newsletter for ICR users and stakeholders on ICR issues.
- Added i2 software for data analysis.
- Commenced planning for the ICR Next Generation to improve the system accuracy and speed.
- Set up 24hr online fraud reporting system

### Liability

- Update on key legislative and market developments affecting liability insurance, including Sentencing Amendment Act 2014 (victims of crime reform), the Health and Safety Reform Bill, Law Commission review of joint and several liability rule (including the government response to that review), cyber risks and amendments to Privacy Commissioner policies and the Privacy Act.
- Discuss industry response following Bridgecorp case law on section 9 of the Law Reform Act 1936.

### Marine Committee

- Update of Marine Large Loss Register for 2013/2014.
- Committee Representation at the Maritime Law Conference April 2014.
- MOU signed with The Institute for continued support of marine exam prizes by the Marine Committee but sponsored by individual marine insurers on an annual rotational basis.
- Agreement on a new IUMI membership fee funding model.
- Committee consultation with both Maritime New Zealand and Ministry of Transport.

### Motor Committee

- Obtained legal advice and provided awareness to members on the issues with the Sentencing Amendment Act legislation and the increased potential for bodily injury liability claims.
- Update of the Rental Vehicle Loss of Use Depreciation and Running Costs data for 2014/15
- Committee consultation with the Ministry of Transport & the New Zealand Road Transport Forum.

#### Motor Assessor Technical Working Group

- Agreement on the motor vehicle smash repair Structural Repairer Code of Practice. Formal adoption by smash repair industry expected early 2015

#### Personal lines

- Finalised a process for dealing with Public Trust on insurance on deceased estates assets.
- Revised the Standstill Agreement wording to clarify the types of policies where claims can invoke the agreement.
- Revised the NZIQS form for Quantity Surveyors reinstatement estimates.
- Commenced consultation with Standards NZ on developing a standard for PLab decontamination.

#### Travel

- Worked with the dispute resolution schemes the Insurance & Savings Ombudsman and Financial Services Complaints Limited on complaint handling issues arising out of public submissions on the Fair Insurance Code.
- Hosted the ICR manager to discuss travel insurance fraud trends with committee members.
- Worked with the Cruise Lines International Association of Australia to encourage development of generic protocols between international cruise line operators.
- Approached the Ministry of Health to seek standardisation of medical treatment costs amongst DHBs for overseas residents travelling to New Zealand.

#### Presentations

Council staff made presentations to:

- Insurance Bureau of Canada's Earthquake Symposium
- BRANZ & Association of Wall & Ceiling Industries of New Zealand
- New Zealand Insurance Law Association's annual conference
- Resilient Communities Summit on Flood Preparedness and Recovery Wellington
- Institute of Quantity Surveyors
- Tauranga Chamber of Commerce
- ANZIIF Christchurch regional Conference
- University of Canterbury's School of Journalism.
- Citizens Advice Bureaux in Christchurch, Wellington, Tauranga, Auckland and the Bay of Plenty
- Wellington Probus Clubs
- U3A Meadowbank 'Money matters Group'
- Older People's Forum, Christchurch
- Moderation of an insurer CE panel for the Trans-Tasman Business Circle

The new Fair Insurance Code sets a high benchmark for self-regulation of the general insurance industry with higher standards being imposed on ICNZ members when servicing consumers and small to medium-sized enterprises







'By 2050 about one million older New Zealanders will be living in areas vulnerable to severe flooding, coastal storm surges, land slips and wind storms.'

## Chief Executive's Report

The challenge for the Insurance Council in 2014 was to broaden its strategic focus while still maintaining strong support for efforts in Canterbury. As we are a small team with limited capacity, this was no small task.

Looking back on the past year, several major initiatives were landed. We undertook a review of the Fair Insurance Code, started to implement major components of our financial literacy strategy, developed a position paper on how to better protect New Zealand from natural hazards and continued to provide strong representation on regulatory and legislative matters on behalf of our members.

The need to review the Fair Insurance Code was pressing. The Canterbury earthquake series had stress-tested the Code in some areas and it was clearly found wanting. There was a mismatch between what policyholders expected and what insurers could deliver in Canterbury. That in turn led to reputational damage because people felt they had been treated 'unfairly'.

An aspirational goal for the Insurance Council is that all New Zealanders have trust and confidence in insurance. Fundamental to that trust and confidence is that the insured feels they are being treated fairly by their insurer. So, we needed to have a Code that is fit for that purpose; one that sets high standards of service for our industry.

Changes have occurred in jurisdictions overseas – either by advancements made to self-regulatory Codes or to the law – demanded change to our Code too.

I am proud of the support provided by the President and Board members to the review process. They agreed at an early stage that the new Code would need to make insurers feel somewhat uncomfortable with the change. I also want to acknowledge the many hours

a sub-committee of the Board and representatives on the Insurance Council's personal lines and regulation standing committees put in to progress successive drafts of the Code.

So, the new Code covers all dealings between insurers and the insured, not just claims. It specifies that all claims need to be acknowledged within 5 business days, a decision made to accept or decline a claim within 10 business days provided all information is at hand to determine the claim and to update claimants on the status of their claims every 20 business days.

The Code also says that insurers will be reasonable in their response to non-disclosure and it establishes accountability mechanisms for reporting significant or systemic breaches of the code. There will also be independent input on compliance with the Code.

Building trust and confidence in insurance also requires us to better inform the public about managing risk and the part insurance plays in that. This is not something that can be achieved in the short-term, but will take relentless efforts over many years. We have started on that path with a financial literacy strategy that targets secondary schools, tertiary students, the general public and targeted community groups.

We have chosen the Young Enterprise Trust ('YET'), who are specialists in developing teacher resources, to be our partner to inject into the school curriculum at years 11-13 programmes risk management and insurance. This material was launched on Insurance Day at a function for secondary students in Wellington that was strongly supported by our members.

The Insurance Council has also launched a website for the public [www.covered.org.nz](http://www.covered.org.nz) where key information about insurance can be easily accessed and understood. This will be gradually enhanced with more resources through 2015. A companion document to the site together with the Insurance Handbook have been distributed to libraries and Citizens Advice Bureaux nationwide.

We have also committed to brief staff from every Citizens Advice Bureaux in the country over the next three years. This year we briefed staff from bureaux in Christchurch, Wellington, the Bay of Plenty and central Auckland.

Another initiative designed to better inform the public about insurance was the launch of the inaugural Excellence in Journalism Award. This has been established in partnership with YET and Competenz, the industry training organisation for journalists. As part of our commitment, the Insurance Council is visiting

journalism schools each year so the next generation of reporters have some insights into our sector.

In the tertiary sector, the Insurance Council has been involved in the finalisation of the Level 5 and Level 6 Financial Studies unit standards which both have insurance strands. Discussions with Careers New Zealand have looked at developing more insurance-related roles to add to their website.

Further initiatives are in the pipeline as our strategy rolls out in 2015.

The final insured costs for extreme weather events this year exceeded \$150 million and came off the back of \$175 million the previous year.

Climate change will raise risks further by increasing both the intensity and frequency of weather-related events. The effects will be more acute because most of New Zealand's population is located in coastal areas and besides rivers. As more people live in our largest cities, more lives and assets concentrate in disaster prone areas. By 2050 about one million older New Zealanders will be living in areas vulnerable to severe flooding, coastal storm surges, land slips and wind storms.

The forces of nature cannot be controlled, but their impact can be reduced significantly by building our capacity to withstand and recover from natural disasters. This is why the Insurance Council produced a position paper that sets out a high-level approach to better protect New Zealand from natural hazards.

It calls for greater alignment of legislation, funding and decision-making at central and local government level to reduce risk. It asks government, business and communities to take a long view of natural hazard risks, so by adapting now future risks can be reduced. Since we released our paper, the government has committed to include the management of natural hazards as a key requirements of the revamped Resource Management Act.

Numerous studies show that investment in those measures before disaster strikes saves much more than trying to pick up the cost afterwards. Reducing risks also keeps insurance available and affordable for everyone. High levels of insurance cover benefits society by sharing the risk and reducing the cost individuals, businesses, local and central government would otherwise have to meet.

On the regulatory front, we maintained a steady stream of representations on issues. These have included the need to consider non-structural, seismic restraints in earthquake prone building legislation through to submissions to the Productivity Commission on productivity in the services sector and on regulatory institutions. We have also provided input to officials on consumer and credit law reforms – in particular, on credit-related insurance and the development of the responsible lending code.

It was disappointing not to see progress made on the review of the Earthquake Commission in 2014 since the last submissions the Insurance Council made to government was in July 2013. However, in the absence of progress the Insurance Council initiated discussions with the EQC to turn the learnings from Canterbury into ways to improve responsiveness to another major event in future.

We hope to establish a Memorandum of Understanding with EQC on how to respond to another major event and expect the review of EQC to be advanced.

We continue to lobby for changes to the funding of the New Zealand Fire Service and this will continue as a review of funding is undertaken by the Government. The Insurance Council has now delivered two comprehensive reports to government commissioned from the New Zealand Institute for Economic Research that argue a compelling case to shift the fire service levy off insurance.

One legislative development the Insurance Council will monitor carefully is the impact of the Sentencing Amendment Act that came into effect in December. It means that New Zealanders found guilty of committing a motoring offence or a breach of health and safety legislation that causes personal injury to someone else could be forced to pay reparations over and above ACC compensation limits to the injured party.

The Insurance Council was a counterparty to a Declaratory Judgment sought by the EQC seeking clarity about the lawfulness of its approach to settling claims to land where there was increased vulnerability to flooding.

It was pleasing to see the Court affirm our position that damage to land does not constitute damage to the property. However, it was somewhat disappointing that the Court did not accept our view that EQC's liability for land remediation could be met by raising the floor-level of the dwelling. The Court's recognition that in some situations this cost may be reflected in the diminution of the market value leaves this possibility open which was positive.

In a related area, EQC's approach to compensation for land vulnerable to liquefaction continues to be monitored carefully by insurers as it is developed. However, by taking assignment of land settlement payments, insurers have succeeded in maintaining the strong pace of reinstatements in Christchurch.

The other major legal case for the Insurance Council was *University of Canterbury V ICNZ* which was heard by the Supreme Court in November. This confirmed our view that reinstatement requirements are limited to 34% of the new building standard. The \$550 million settlement with insurers is the largest in New Zealand history.

Other Court decisions arising from Canterbury claims point to the need for clearer policy wordings. In the commercial property area, this has been addressed through the development of a new advisory core wording that was developed during the year.

There was a major ramp up in earthquake settlements which were just shy of \$14 billion by year's end. Insurers remain concerned about the number of fresh claims arriving on their books from EQC more than four years after the first event.

The Insurance Council has worked hard to involve central and local government agencies to remove roadblocks to recovery. We have deepened our relationships with community groups and their leaders enabling us to anticipate issues, respond more effectively to needs and to protect our industry's reputation. In the latter part of the year, we facilitated the development of an informative television series produced by Canterbury Television and rebuild Christchurch on insurance-related residential rebuild issues.

The Insurance Council is pleased to report the reputation of the industry has gradually improved since we began tracking this metric in May 2013. Today 67% of New Zealanders have a favourable opinion of insurers compared to the benchmark reading of 63%. This compares well with other international measures of the sector.

The Insurance Council deepened its international links this year. I was fortunate to be invited by GenRe to attend a week-long reinsurance course in Koln and took advantage of being in Europe to meet my counterpart at the Association of British Insurers, the Insurance Fraud Bureau and to visit Lloyd's in London. In October, I was invited by the Insurance Bureau of Canada to address a symposium in Vancouver on earthquake risk. This was followed by a short visit to Sydney to meet with the Insurance Council of Australia.

Developing these international links is important as it enables the transfer of knowledge and shared experiences which enables us to do a better job for members.

New staff joined the Insurance Council this year. Nick Mereu took on the role of Legal Counsel replacing Legal and Regulatory Manager Simon Wilson who has joined the international regulatory team at Lloyd's in London. Deirdre Fitzgerald replaced long-serving Executive Assistant Madeleine Mitchell on her retirement. And with the appointment of the Insurance Claims Register Manager, Dave Ashton, we have a third new member of the team.

These changes have occurred seamlessly and enriched the strong team culture. I want to acknowledge the hard work of all staff for their contribution to our members in 2014.

I also want to acknowledge the President for her support and that of her fellow Board members during a particularly challenging year. The industry owes a lot to the leadership and time she has given over the past three years, particularly in Canterbury, but in advancing issues for the membership.



**Tim Grafton**  
*Chief Executive*

Insurance Council of New Zealand



## Industry Statistics

### All Business year ended 30 September 2014

	Year-end	2010	2011	2012	2013	2014
Gross Written Premium		3,604,101,963	3,979,548,054	4,448,725,196	4,770,148,673	5,258,213,477
Net Written Premium		3,119,058,942	3,179,010,972	3,462,270,445	3,652,556,360	4,018,404,458
Net Earned Premium		3,073,050,146	2,962,014,374	3,247,031,758	3,506,529,351	3,912,441,162
Claims Incurred		2,096,548,674	3,311,871,292	2,206,076,841	2,174,942,392	2,350,393,425
Loss Ratio %		68.22%	111.81%	67.94%	62.03%	60.07%
Business Costs (Staff etc)		996,683,386	1,023,410,108	1,006,100,070	1,200,746,602	1,315,241,975
Combined Ratio %		100.66%	146.36%	98.93%	96.27%	93.69%

### Commercial Material Damage and Business Interruption year ended 30 September 2014

	Year-end	2010	2011	2012	2013	2014
Gross Written Premium		469,043,879	502,455,302	589,915,428	598,432,282	684,399,324
Net Written Premium		297,579,539	292,078,059	306,669,880	325,879,410	369,583,445
Net Earned Premium		291,158,018	280,155,525	276,305,711	322,693,671	358,734,362
Claims Incurred		172,180,899	155,895,787	226,855,573	192,309,752	227,168,439
Loss Ratio %		59.14%	55.65%	65.50%	59.60%	63.32%

### Domestic Buildings and Contents year ended 30 September 2014

	Year-end	2010	2011	2012	2013	2014
Gross Written Premium		933,495,375	1,052,270,223	1,170,172,533	1,342,027,881	1,477,326,975
Net Written Premium		866,335,821	904,836,784	963,207,401	1,082,408,518	1,219,945,738
Net Earned Premium		839,897,275	826,974,807	898,261,166	1,002,937,356	1,168,935,364
Claims Incurred		525,356,791	515,234,420	532,924,232	582,828,477	609,645,684
Loss Ratio %		62.55%	62.30%	59.33%	58.11%	52.15%

### Motor Commercial and Private year ended 30 September 2014

	Year-end	2010	2011	2012	2013	2014
Gross Written Premium		1,266,098,899	1,339,829,531	1,355,055,482	1,410,050,905	1,509,389,417
Net Written Premium		1,253,440,464	1,319,857,990	1,335,018,668	1,393,761,828	1,487,114,169
Net Earned Premium		1,233,098,039	1,265,751,060	1,308,806,948	1,366,159,713	1,441,718,227
Claims Incurred		791,265,591	824,763,162	831,303,537	886,385,444	951,461,076
Loss Ratio %		64.17%	65.16%	63.52%	64.88%	65.99%

**Marine Hull and Cargo** year ended 30 September 2014

Year-end	2010	2011	2012	2013	2014
Gross Written Premium	119,594,972	125,403,642	144,329,385	137,235,745	140,528,421
Net Written Premium	97,666,992	95,310,182	113,845,851	112,054,232	116,508,142
Net Earned Premium	99,658,692	93,872,738	106,131,028	111,737,383	118,685,913
Claims Incurred	58,600,332	59,722,860	68,334,669	47,759,994	56,416,386
Loss Ratio %	58.80%	63.62%	64.39%	42.74%	47.53%

**Liability Professional & Defamation, Directors & Officers and Public Product & Other** year ended 30 September 2014

Year-end	2010	2011	2012	2013	2014
Gross Written Premium	298,229,655	313,644,264	337,991,478	368,972,214	457,406,090
Net Written Premium	255,992,543	269,481,979	271,017,729	292,977,466	345,109,879
Net Earned Premium	250,185,778	261,188,903	264,165,039	284,297,206	329,383,275
Claims Incurred	163,998,021	127,512,090	116,058,093	119,499,270	101,971,756
Loss Ratio %	65.55%	48.82%	43.93%	42.03%	30.96%

**Earthquake Domestic, Commercial M.D., Business Interruption and Marine Cargo** year ended 30 September 2014

Year-end	2010	2011	2012	2013	2014
Gross Written Premium	220,172,442	350,256,361	548,513,318	608,686,700	642,638,358
Net Written Premium	116,710,783	69,248,376	249,950,471	221,723,316	263,734,316
Net Earned Premium	115,211,252	4,796,126	170,848,763	198,612,059	268,276,192
Claims Incurred	242,689,944	1,494,617,694	344,794,781	228,581,132	291,746,108
Loss Ratio %	210.65%	31163.02%	201.81%	115.09%	108.75%

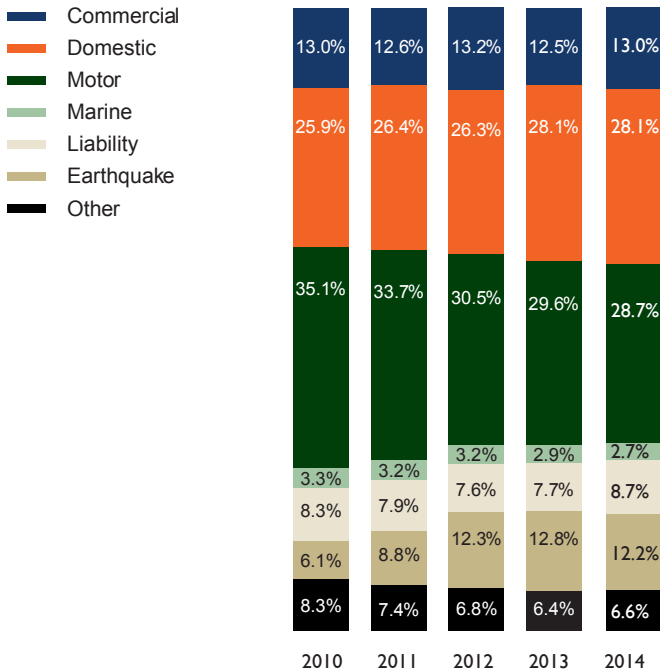
**Other Personal Accident, Travel, Livestock and Other** year ended 30 September 2014

Year-end	2010	2011	2012	2013	2014
Gross Written Premium	297,466,741	295,688,731.00	302,747,572	304,742,946	346,524,892
Net Written Premium	231,332,796	228,197,602	222,560,445	223,751,590	216,408,769
Net Earned Premium	243,841,103	229,275,215	222,513,103	220,091,963	226,707,829
Claims Incurred	142,457,105	134,125,279	131,668,122	117,578,323	111,983,976
Loss Ratio %	58.42%	58.50%	59.17%	53.42%	49.40%

**Gross Written Premiums of Business Classes** year ended 30 September 2014

Year-end	2010	2011	2012	2013	2014
Commercial	469,043,879	502,455,302	589,915,428	598,432,282	684,399,324
Domestic	933,495,375	1,052,270,223	1,170,172,533	1,342,027,881	1,477,326,975
Motor	1,266,098,899	1,339,829,531	1,355,055,482	1,410,050,905	1,509,389,417
Marine	119,594,972	125,403,642	144,329,385	137,235,745	140,528,421
Liability	298,229,655	313,644,264	337,991,478	368,972,214	457,406,090
Earthquake	220,172,442	350,256,361	548,513,318	608,686,700	642,638,358
Other	297,466,741	295,688,731	302,747,572	304,742,946	346,524,892
Total	3,604,101,963	3,979,548,054	4,448,725,196	4,770,148,673	5,258,213,477

**Gross Written Premiums of Business Classes by Percentage** year ended 30 September 2014





## The Insurance Council of New Zealand

### President

**Jacki Johnson**  
IAG

### Board Members

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FMG

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AAI

**Ross Chapman**  
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AIG

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Lumley

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GenRe

**Paul Martin**  
ACE

### Standing Committees 2014

#### Commercial Committee

Deborah Angjelinovic	MunichRe
Nathan Barrett	FMG
Malcolm Beaton	BerkleyRe
Brett Clark	AIG
Brian Coleman	Allianz
Mark Cross	Vero
Simon Foley	Zurich
Nancy George	Mitsui Sumitomo
David Lee	MAS
David Moffat	ACE
Tony Philpott	Lumley
Richard Rolston	QBE
John Stubbs	GenRe
Andrew West (Chair)	IAG

#### Communications & Public Education Committee

Pamela Bonney (Chair)	Vero
Trevor Devitt	Youi
Craig Dowling	IAG
Val Graham	QBE
Tracey Palmer	Tower
Richard Park	AAI
Nicola Vallance	AIG
Olivia Wilson	CBL
Colin Wright	FMG

#### Employment and Education Committee

Jan Aitken	QBE
Andrea Brunner (Chair)	FMG
Denise Doyle	Lumley
Catherine Dixon	Vero
Jenny Erasmus	AIG
Tania Hadfield	IAG
Nikki Howell	AAI
Ross McMillan	MAS
Simone Nelson	ACE
Henry Ray	CBL
Nigel Tucker	Tower

#### Finance Committee

Herman Beukes	GenRe
Peter Brown	Vero
Martin Chisholm	AAI
Hanneli Combrinck	Youi
Dan Coman	IAG
Jeremy Fergusson	Tower
Paul Harvey	Allianz
Dave Kibblewhite	FMG
Terry Lawrence	QBE
Dean Phillips	MunichRe
Henry Ray	CBL
Graeme Ross	MAS
Runesh Roy	ACE
Alistair Smith	Lumley
Julie Taylor	Hallmark
Debbie Wilson (Chair)	AIG

#### Liability Committee

Heather Bailey	Vero
Jeremy Batchelor	IAG
Malcolm Beaton	BerkleyRe
Jeno Capo (Chair)	Lumley
Ryan Clark	AIG
Mark Downes	ACE
Dean Finlay	CBL
Nicky Hughes	FMG
Karl Kemp	Allianz
Nick Murphy	GenRe
Phil Murphy	QBE
Tamas Pinter	Zurich
Mat Spears	MunichRe

#### Marine Committee

Keith Auld	MunichRe
Chris Barratt	Sunderland
Daniel McIntyre	Marine
John McKelvie (Chair)	Zurich
Alistair Monk	Vero
Darren Pattle	QBE
Mark Roelink	Allianz
Fraser Walker	IAG
	Lumley
	AIG

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In 2014, the ICNZ released a paper "Protecting New Zealand from Natural Hazards" aimed at decision makers, a 15-point plan to reduce the social and economic impact of natural hazards – heeding the call will help keep insurance available and affordable for all.

### **Motor Committee**

Quintin Fialho	Tower
Simon Foley (Chair)	Zurich
Dion Herdson	IAG
Michael Hookham	Vero
John Lanyon	CUI
Greg Leonard-Jones	FMG
Sonya Ohlen	MAS
Rod Otter	QBE
Daryl Roycroft	AAI
Jason Storey	Youi
Ian Taylor	Lumley

### **Personal Lines Committee**

Rob Dibley	Lumley
Quintin Fialho	Tower
Richard Godman	Vero
Ralph Hart (Chair)	IAG
Kim Meyer	AAI
Sonya Ohlen	MAS
Charles Pollack	Youi
Geoff White	FMG

### **Regulatory Committee**

Rob Arcus	Vero
Paul Barton	MAS
Megan Bonetti	Tower
Bryce Davies (Chair)	IAG
Fiona Eagles	ACE
Wendy Lau	Lumley
Terry Lawrence	QBE
Roslynd Lee	Allianz
Lisa Murray	FMG
Chris Overs	Youi
Henry Ray	CBL
Richard Shine	AIG
Mat Spears	MunichRe
Paul Barton	MAS
Simon Wilson Secretary	ICNZ

### **Travel Committee**

Michelle Boulger (Chair)	IAG
Daniel Currie	AIG
Bob Davie	CTI/Allianz
Ed Hayes	QBE
Craig Morrison	SCTI
Adam Rudland	Cigna
John Whitta	Tower

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