



*Latest  
newsletter*

**February 2012 Newsletter**

**Welcome to 2012**

A warm welcome to our first newsletter for 2012. We trust you are all refreshed after hopefully a well deserved holiday break, (notwithstanding the very average weather), and are looking forward to a prosperous 2012.

The insurance industry is hopeful that 2012 will prove a little less stressful than last year. With earthquakes, floods and the Rena disaster, it is hard to see how this year could be worse, although the recent downgrade by Standard & Poor's of a number of European countries may mean an increase in reinsurance costs that could flow through to the local market.

**EQC (Earthquake) Levies**

All house and contents policies attract a compulsory EQC levy. This is currently \$50 per house and \$20 for contents policies. GST is additional to these charges.

As from 1 February 2012, the levies are increasing to \$150 per house and \$30 per contents policy. Again GST is additional. This means that the total additional cost for a householder will be \$172.50 for a house and \$34.50 for contents.

The magnitude of this increase can be appreciated with a landlord owning a block of say 6 apartments. The EQC levies on the building alone will now amount to \$1,035.00. These costs need to be paid and it is difficult to see landlords accepting such costs to their own account. They will inevitably be passed on to the tenants in the form of increased rentals.

**Changing Road Rules**

Changes to the give-way rules come into effect at 5 a.m. on Sunday 25 March 2012. Known as the left-turn versus right-turn rule, this new rule will require all traffic turning right to give way to a vehicle coming from the opposite way and turning left. This only applies at cross roads, T-intersections and driveways where:

- a. Both vehicles are facing each other with no signs or signals, (neither vehicle is controlled).
- b. Both vehicles are facing give way signs.
- c. Both vehicles are facing stop signs.
- d. Both vehicles are facing green traffic signals.

These changes are of course totally opposite to the current road rules. Essentially with the new rules if you are turning right you must give way. These changes will undoubtedly cause confusion particularly as the current rules are not fully understood by many drivers.

The insurance industry is holding its breath in expectation of a number of claims that will surely occur following the changes programmed for 25 March. There is an intensive public



**Changing Road Rules (Cont.)**

information campaign being developed with national advertising starting 10 days before the change. This late February start date is to avoid public confusion and minimise the risk of people starting to use the new rules too early.



**IAG to Purchase AMI**

Insurance Australia Group, (operators of the State and NZI Insurance brands in New Zealand), have announced it has entered into an agreement to purchase the AMI insurance business for NZ\$380m. This will add nearly 30% to IAG’s local premium base.



The acquisition excludes AMI’s liabilities relating to the earthquakes. These will remain with the current company, which will be owned and backed by the Government and given a new name.

The acquisition remains subject to regulatory approvals, and is expected to be completed by February 2012.

**The Need for Travel Insurance**

The need for travel insurance was reinforced with the news that last year a claim was paid out by one of New Zealand’s travel insurers for \$1m in medical expenses. This was for a traveller to the US and shows how important it is to make sure your travel insurance policy has enough cover for most eventualities – particularly if you are travelling to the States.

All travel policies that we arrange, cover is for at least \$1m and often unlimited medical expenses, amongst other necessary extensions. It is important to remember to take out the cover early as this means you are covered for the cancellation costs of non-refundable travel packages.





### **The Need for Travel Insurance (Cont.)**

You also need to be wary of cover offered “automatically” by some banks via their gold and platinum credit cards. Whilst these policies can give excellent cover for the essentials such as medical and baggage loss, some have exclusions such as terrorism and pre-existing medical conditions, and most importantly to activate the cover, it is necessary that the costs of the travel are paid for by your credit card, otherwise you do not have cover.

### **IAG Bonds**

Insurance Australia Group is making an offer of up to NZ\$150m of unsecured subordinated bonds to the New Zealand public. The bonds will have a maturity of 25 years and will be callable on IAG’s discretion from December 2016 and on each interest payment date thereafter.

The proceeds are to be used for general corporate purposes and to provide additional flexibility in managing future financing requirements.

### **Thailand Floods**

With our preoccupation with local disasters such as the Canterbury earthquakes and the Rena grounding, it is often easy to overlook the cost of other disasters that occur in the Asia Pacific region. We have all looked in fascination on television as Bangkok slowly was engulfed by water.

The cost however as advised by the Thailand Insurance Commission is that insurance claims totalling more than \$20 billion are expected as a result of the worst flooding in 70 years.

In seven affected industrial estates alone, losses are estimated of up to \$14 billion covering 891 factories and 460,000 workers.

