



Riding Out the Storm

Insurers will survive the economic downturn as long as their pricing models reflect the increasing severity of weather events, according to KPMG's annual general industry survey. This is a very firm indication that premiums must rise if insurers are to survive. Most have already increased domestic premiums, and commercial rates are on the rise. Most companies are aiming for a minimum of 10%, unless there are compelling reasons otherwise.



But Will Insurers Really Increase Their Premium Pool?

Our belief is that insurers will have a hard row to hoe. Our experience in very recent months has shown that many companies are reducing stock levels and revising profit forecasts. These have a direct effect of reducing premiums. On the domestic front, consumers have stopped buying big ticket items such as vehicles, and pleasure craft, together with an almost total shut down of private investment portfolio increase. Some insurers have already noticed the slow down of house and construction insurance. Thus our belief is that any increase that insurers may try to obtain may be countered by the reduction in natural growth and lack of client portfolio increases.

(Badly) Made in China



Product liability claims are on the rise as the number of dodgy Chinese imports increases according to a major Australasian loss adjuster. "About once a month we would get a product liability claim from an importer of a defective product from China. I think it is certainly becoming more prevalent". The list includes cheap televisions, phone batteries and fitness balls, all of which have been known to explode. Flammable convection heaters and portable DVD players and electric shock inducing hair straighteners have also been cause for concern. Locally we have had a client testing a portable refrigerator catch fire. The damage was luckily restricted to smoke damage, but is an example of the exposures such imports can bring.

AIG Holds Its Own

Its US parent may be requiring massive injections of taxpayers' money, but AIG locally says it's healthy and not losing money. The near collapse of American International Group, (AIG), has prompted some commercial insurance clients to review their risk portfolios in order to reduce exposure to any one insurer. The trend is especially prevalent among large corporate clients, according to major brokers, however AIG say they are maintaining their market share and that the company has circulated a statement reiterating its financial wellbeing.





Property Law Act 2007; Changes to the landlord/tenant relationship

Since the Property Law Act 2007 was introduced at the beginning of last year, there have been significant implications for the property market, affecting in particular the relationship between landlords and tenants for all commercial property leases. This legislation has also had a considerable impact on the insurance industry. The most important change brought about by this Act for insurers is that the landlord's insurers no longer have subrogation rights to recover the cost of damage to landlord's property caused by the negligence of the tenant except in certain situations.

The landlord also has a right of recovery against the tenant if the tenant invalidates the landlord's insurance and in other situations. It should be noted that the Property Law Act is applicable no matter who pays the insurance premium. The principal effect this Act has had on our clients to date has been with regard to broken window claims where notwithstanding any lease provision; the claim must initially be made under the landlord's policy. The effects of this Act will no doubt take some time to iron out, however Roughton Nelson staff are happy to discuss the implications with you and how the effects may relate to your particular circumstances.



www.rougtonnelson.co.nz

310 Tristram Street, Box 457, Hamilton

Tel: 07 839 0110 Free: 0800 650 911