



### **The Cost of the 2008 Storm**

The cost of the major storm that swept through the North Island last winter has just been announced by EQC, (Earthquake Commission). Almost 400 claims were received totalling around \$20,000,000 in payments.

This of course is in excess of any payments made by insurance companies direct, and is an example as to why domestic insurance premiums in particular, are on the rise.



### **Imported Products – Who is really the manufacturer?**

A not often appreciated fact is that under the Consumer Guarantees Act, an importer or distributor can be regarded as the “manufacturer”. This problem has arisen following the substantial rise in imports from countries such as China, which is now one of New Zealand’s major trading partners and indeed second only to Australia in terms of import volumes.

The problem relates to product liability, as many manufacturers in China have very low insurance policy limits and indeed may have territorial restrictions meaning that cover is provided only in China. Thus a claim occurring in New Zealand may not be covered. In such circumstances, the New Zealand importer can be left “holding the baby” when there is a product failure.



There is therefore a need to check contracts of sale in detail to ascertain what may in fact be recoverable from the manufacturer in the event of loss. Whilst ACC legislation largely removes exposure to accidental personal injury risk, there remains a high property damage exposure, such as a fire causing property damage and resultant business interruption loss.

It is important for all importers to be aware of potential exposures and if in doubt discuss these with your account broker to ensure that your local liability coverage provides the necessary protection.

### **Sandwich Panel Construction**

The risks involving large insulated sandwich panels constitute a big challenge from a fire prevention/protection standpoint. With increasing frequency and severity of losses, many countries are now conducting studies on this subject.

A typical sandwich panel has a metal skin containing a core of either mineral wool, foamed polystyrene, (EPS), polyurethane or other “hybrid” materials. This type of construction has seen a rapid rise in many countries for food processing plants and the like. In New Zealand this method of construction is commonly now used in



## **Sandwich Panel Construction (cont.)**

private homes, and indeed in some cases, foamed polystyrene is fixed directly to the framing and plastered to present a “monolithic” appearance.

The problem is that whilst the product provides an easy and relatively inexpensive means of construction, the product is in itself highly combustible. If a fire is not able to be controlled in its early stages by automatic fire protection equipment, it will be nearly impossible to fight it manually due to the heat and toxic corrosive smoke released. The Fire Service indeed has standing instructions not to enter an EPS environment where there is confirmed alarm activation. For this reason insurers now regard buildings constructed from insulated sandwich panel as being “high risk” and with private dwellings, at least one insurer has advised they will no longer insure property if constructed from foamed polystyrene.



## **Out of the Ordinary**

Users of social networking websites such as Facebook and Twitter could face higher home insurance premiums because they are more likely to be robbed. British insurance giant Legal & General issued the warning to its customers after its report, “The Digital Criminal”, found burglars are using social networking websites to identify targets.

## **Whistleblower Rewarded**

A whistleblower against one of the world’s biggest pharmaceutical companies will earn \$US51.1 million for speaking out against his employer.

John Kopchinski, a former Pfizer sales rep, earned the money as a result of his whistleblowing lawsuit which led to a record \$US2.3 billion penalty the company must pay to the US Government for marketing transgressions.

Mr Kopchinski and five other whistleblowers will earn more than \$US102 million in payments from the US Government under the False Claims Act through which individuals can reap rewards for helping to expose corporate wrongdoing.

**[www.rougtonnelson.co.nz](http://www.rougtonnelson.co.nz)**

**310 Tristram Street, Box 457, Hamilton**

**Tel: 07 839 0110 Free: 0800 650 911**