Marsh

Body Corporate 46906 – Elmdale Lane / 17 Gatherer St

Insurance Renewal Report

2024

Date 17th April 2024

Section One

Introduction

This report details the results of the insurance marketing for the insurance period commencing 14 May 2024.

Details in the report cover the key factors relating to the pricing, terms of the cover and our recommendations for the renewal of your insurance policies. The details included in this report provides a brief overview of the cover provided and is not intended to be a substitute for the actual policy contract.

This report and the terms negotiated with insurers are based on the information you provided to us. If material information has not been provided to us or the information provided has since changed or is inaccurate, please advise us immediately so that we can reconfirm renewal terms with the insurers.

Please also refer to the Important Notices section of the report which details your duty of disclosure and other key points.

We look forward to reviewing the report with you and to receiving your final instructions.

Riley Prendergast

Client Executive

Marsh, New Zealand

Contents

Section Two

Insurance Market Commentary

Property Insurance

- After a challenging 2023 we expect similar market conditions to continue through 2024, albeit with a gradual softening in comparison to last year.
- Many New Zealand insurers continue to indicate double digit rate rises across their portfolios in the first half of 2024.
- A key driver of market conditions for New Zealand is the two extreme weather events experienced in early 2023. Together, losses from Auckland's January floods and Cyclone Gabrielle are currently estimated to total in excess of $4bn, making these the largest non-earthquake events New Zealand has experienced.
- Globally the rising cost of insured natural catastrophe events significantly reduced the availability of reinsurance capacity in 2023, which was further compounded by inflationary pressures, leading to double digit increases in (re)insurance pricing.
- Insurers' reinsurance retentions (deductibles) significantly increased through the January 2023 reinsurance renewals, which resulted in higher levels of risk being retained by local insurance markets – meaning that future losses will have a greater direct impact on those insurers, including the Auckland floods and Cyclone Gabrielle.
- As the reinsurance market returns to profitability, more investment capital flows into the market which brings with it more capacity. Resultingly, the January 2024 Treaty reinsurance renewals were more stable than those in 2023, with capacity increasing and generally no worsening of conditions.
- Softening of the (re)insurance market will take time to flow through to the New Zealand insurance market, and upward pressure on pricing remains, especially in natural catastrophe exposed regions (refer Guy Carpenter article).
- Notwithstanding the continued challenges, there are some positive signs around new insurance capacity for New Zealand buyers. Marsh's exclusive Fast Track facility now provides 7.5% capacity for co-insured risks and this capacity will increase in 2024. Further, we are seeing entry into New Zealand of some new insurance market participants, such as Everest and Market Lane, names which will be new to many New Zealand insurance buyers.

Future Expectations

- With signs of stability returning to the reinsurance market we can be cautiously optimistic, however, the full picture is unlikely to emerge until the 1st and 2nd quarter renewals have been completed.
- As noted above, New Zealand insurance markets continue to indicate premium rate increases, although the expectation is that these will have moderated from 2023.

Whilst insurers continue to seek double digit premium rate rises we see growing pressure on their ability to sustain that level of increase throughout the year.

- 2023 saw insurance capacity constraints exacerbated, in particular for high natural catastrophe zones such as the Wellington region where sourcing new capacity remains extremely challenging.
- In the global insurance markets there are signs that availability of capacity is increasing, and premium rates in London are expected to be more stable than those experienced in New Zealand. In time, this is expected to start to draw some competitive tension back to the market.
- The cost impact of premium rate increases will continue to be exacerbated by inflationary pressures driving up insured values (to which premium rates are applied), though fortunately inflation appears to have peaked and now showing signs of slowing.
- In summary, we anticipate a slow softening of the market, which may become more apparent as we approach the second half of the year, provided claims activity remains benign. In time, and outside of high hazard regions and occupancies, we expect limited competition and stability to return to the New Zealand property market.

Key Coverage and Underwriting Trends

- We expect to see an increase in the focus on flood following last year's weather events, with premium rating, coverage restrictions and deductible levels potentially all being applied by underwriters to clients perceived to be at risk of flood.
- Properties that have had significant claims, and which are perceived to be at risk of repeat flood events will be the key focus for underwriters.
- While the response to flood risk in 2023 was subdued for most Insureds who were not impacted by those losses, Insurers are developing their capabilities around flood modelling. This may lead to premium increases and coverage restrictions for Insureds who were previously unaffected.
- Valuations and the adequacy of insured values will remain a focus for insurers, with unchanged renewal values and those not in line with general trends being questioned.
- Those insureds that are recognised as being exposed to flood and earthquake risk are most impacted; compounded where strong risk management is not in evidence.
- High-risk properties such as those containing expanded polystyrene (EPS) panels and high-risk occupancies such as waste management and sawmills continue to be heavily scrutinised by underwriters, and limited capacity is available.
- Overall, we expect insurers to continue to impose more rigorous underwriting discipline throughout 2024.

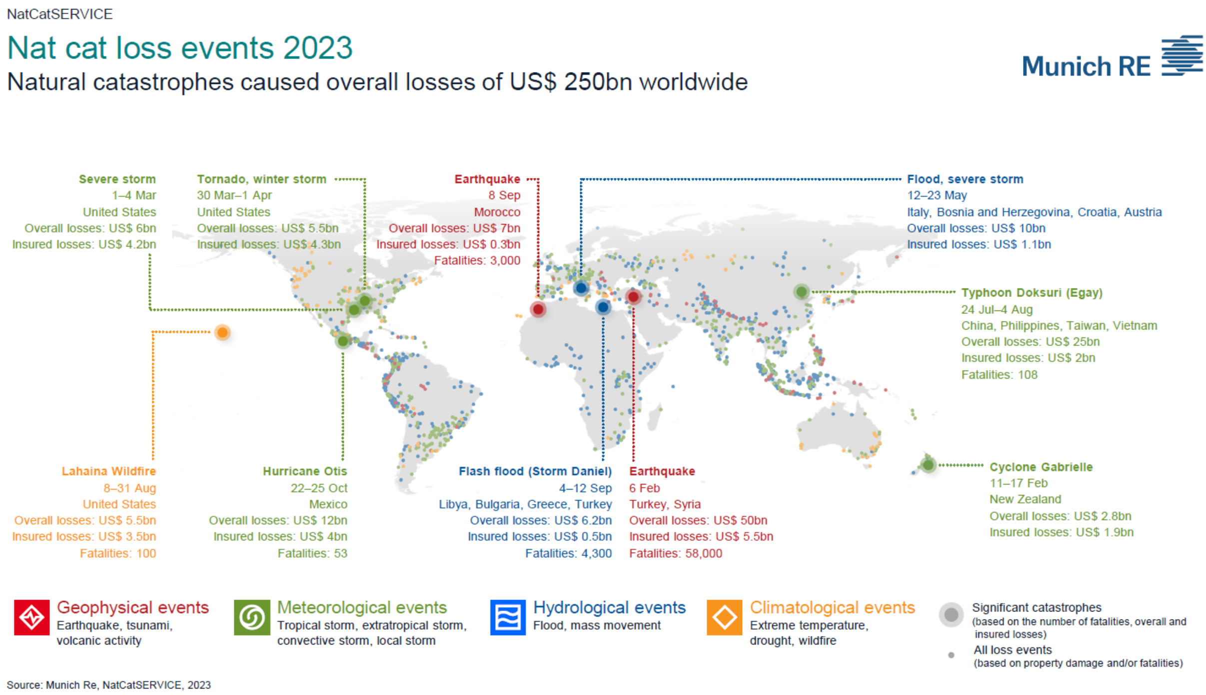
Client Buying Patterns We Have Observed

- After the continued hardening of insurance market conditions, a growing number of insurance buyers are basing their insurance buying strategy around budgetary restraints, for example; setting a 'no greater than' premium target. This strategy invariably means exposing an organisation's balance sheet, as more risk is retained in exchange for premium relief. It is important that the implications of such a strategy are carefully considered.

- From larger organisations, or those with a more mature risk management frame work, there are a growing number of enquiries around the use of alternative risk transfer or financing (ART/ARF) methods, such as utilising captive insurance or parametric insurance products.

Additional Reading

Munich Re, one of the world's largest reinsurance companies, provide market intelligence and insights from their perspective. The below slide is a snapshot of major natural catastrophe loss events in 2023.



Section Three

Premium Summary & Comparison

The following is a comparison of the premiums that are apply from renewal compared to the prior year premiums.

POLICY	AIG EXPIRING PREMIUM	AIG RENEWAL PREMIUM
Material Damage / Business Interruption	$11,461.31	**$12,570.14**
General Liability	$200.00	**$200.00**
Statutory Liability	$100.00	**$100.00**
Association Liability	$500.00	**$500.00**
GST	$1,839.20	**$2,050.52**
Total Insurer Premium (Includes applicable levies)	**$14,100.51**	**$15,720.66**

Notes:

1. We are continuing to witness increases to Material Damage premium rates of around 10-20% in response to the large losses incurred following the North Island weather events in early 2023. This in combination with inflationary pressures has resulted in insurers facing double digit increases in their reinsurance premiums. These costs unfortunately are being passed on.

2. AIG have applied a 6.48% increase to the expiring Material Damage premium rates for this renewal. When compared with other results being experienced across the market this is a decent outcome.

3. A new valuation was received in March 2024, the Material Damage sum insured has increased from $3,170,500 to $3,319,000, This is an increase of 4.68%.

4. The General, Statutory & Office Bearers Liabilities have all been offered for renewal at expiring premiums, which is a good result in a market where often we are still seeing inflationary increases across liability lines.

5. The Office Bearers Liability terms are subject to review of the completed declaration.

6. The policies have not been remarketed this year as a remarket with NZI was carried out in the previous policy period. It is only recommended to remarket the policies every other year. The

increases which are detailed above from your current insurer AIG are considered on the lower side of increases we are currently seeing in the market. We therefore recommend renewal with AIG.

Section Four

Insurance Renewal Commentary

The following classes of insurance were reviewed as part of this year's insurance review. Unless indicated, all premiums quoted exclude compulsory government taxes.

Material Damage / Business Interruption

Summary of Cover

Insures accidental physical loss or damage to Insured Property, including interruption or interference with the Business, as a result of such loss or damage, subject to the terms and conditions of the policy.

Reference	SBS 200182
The Company	AIG New Zealand Limited
Insured	Body Corporate 46906 and the owner of each unit in the Insured Property and any management company acting on behalf of each unit owner.
Period Of Insurance	From 4:00pm Local Standard Time on 14 May 2024 To 4:00pm Local Standard Time on 14 May 2025 Or any other period for which the Company and the insured agree to renew the policy.
Insured Property (Section 1)	Buildings and Chattels, all while at the specified Location
Location (Section 1)	Elmdale Lane, 17 Gatherer Street, Christchurch and as extended by this Policy
Business (Section 2)	All business of whatsoever kind conducted by the Insured, including but not limited to property owner of residential and/or commercial accommodation and landlord.
Premises (Section 2)	All premises owned or occupied by the Insured and all other places where Insured Property is used or to be used for the purpose of the Business, anywhere in New Zealand.
Indemnity Period (Section 2)	Alternative Residential Accommodation Indemnity Period: 24 months Loss of Rents Indemnity Period: 24 months.

SUMS INSURED			
Section 1	Buildings		$3,319,000
Section 2	Gross Profit:	NOT INSURED	
	Gross Revenue:	NOT INSURED	
	Additional Costs:	$ 200,000	
	Book Debts:	NOT INSURED	
	Claim Preparation Costs:	$ 50,000	
	Fines or Damages:	NOT INSURED	
	Redeployment Costs:	NOT INSURED	
	Severance and Redundancy Payments	NOT INSURED	
	Loss of Rents	$ 2,500,000	
	Alternative Residential Accommodation (per unit per month)	$ 10,000	
SPECIAL LIMITS Section 1			
	Capital Additions Memorandum Limit at any one time:		$ 10,000
	Computer Breakdown Memorandum Limit any one loss or series of losses arising out of any one Event:		$ 5,000
	Contractual Value Memorandum Limit any one loss or series of losses arising out of any one Event:		$ 10,000
	Electric Current Damage Memorandum Limit any one loss or series of losses arising out of any one Event:		$ 10,000
	Gradual Memorandum Limit any one loss or series of losses arising out of any one Event: Limit during the Period of Insurance:		$ 10,000 $ 20,000

	Landslip Memorandum Limit any one loss or series of losses arising out of any one Event:	$ 1,000,000
	Locating Damaged Internal Water Systems Memorandum Limit any one loss or series of losses arising out of any one Event: Limit during the Period of Insurance:	$ 10,000 $ 20,000
	Lost or Stolen Keys Memorandum Limit any one loss or series of losses arising out of any one Event:	$ 10,000
	Money Memorandum Section A: Any one location or transit: Additional limit: Cumulative on the above in respect of any Christmas pay, back pay, and other extraordinary payments: Section B: Any one location:	$ 10,000 Not Insured $ 2,000
	Property to which the Contract Works Exclusion does not apply Specified maximum contract price:	$ 175,000
	Refrigerated Goods Memorandum Limit any one loss or series of losses arising out of any one Event:	$ 5,000
	Subsidence Memorandum Limit any one loss or series of losses arising out of any one Event:	$ 1,000,000
	Theft Limit any one loss or series of losses arising out of any one occurrence of theft, other than theft accompanied by violence or threat of violence to any person or violent and forcible entry to or exit from any enclosed building:	Full Sum Insured
	Transit Memorandum Limit any one loss or series of losses arising out of any one Event:	$ 20,000

	Unlawful Substances Memorandum Limit during the Period of Insurance: This limit does not apply to loss or damage by fire or explosion.	$ 100,000
SPECIAL LIMITS Section 2		
	Defective Drains or Sanitation Memorandum In respect of Loss of Rent only: Limit any one loss or series of losses arising out of any one Event:	$ 250,000
	Dependency Memorandum In respect of Loss of Rent only: Limit any one loss or series of losses arising out of any one Event:	10% of the Loss of Rent Sum Insured
	Prevention of Access Memorandum In respect of Loss of Rent only: Limit any one loss or series of losses arising out of any one Event:	10% of the Loss of Rent Sum Insured
	Public Authorities Memorandum In respect of Loss of Rent only: Limit any one loss or series of losses arising out of any one Event:	10% of the Loss of Rent Sum Insured
	Loss of Rents Maximum payable any one unit owner any one Event:	$ 500,000
EVENT (Definition)	‘Event’ means an event or series of events arising from any one cause during any period of 72 consecutive hours.	
DEDUCTIBLE AMOUNT		
Section 1	In respect of loss indemnified under the Protection Costs Memorandum:	$ 100
	In respect of loss indemnified under the Landslip Memorandum	$ 10,000
	In respect of loss indemnified under the Subsidence Memorandum	$ 10,000

	In respect of loss by Natural Disaster:	2.5% of the sum insured, minimum $2,500
	Residential Units – in respect of other loss to: owner occupied residential units: tenanted residential units: unoccupied residential units:	 $ 250 $ 400 $ 500
	Commercial Units In respect of loss to commercial units by burglary, vandalism, malicious damage or theft: In respect of other loss to commercial units:	 $ 1000 $ 250
	In respect of other loss to common areas:	$ 500
	In respect of any loss for which no other deductible is specified:	$ 500
Section 2		$ Nil
POLICY WORDING	MDBI Policy eDIT V2 AIG V2 310816	
ENDORSEMENTS	AIG BodyCorp V2 011017 clauses Natural Disaster Deductibles Endorsement AIG BodyCorp V1 010418 AIG Communicable Disease Endorsement AIG Cyber Limited Liability Exclusion Clause	

General Liability

Summary of Cover

To cover claims from third parties for property damage or bodily injury arising out of the business activities of the insured (sometimes referred to as 'Public Liability' insurance). Cover includes associated defence costs.

POLICY NUMBER:	SBS 200182	
THE INSURER:	AIG Insurance New Zealand Limited	
INSURED:	Body Corporate 46906 and the owner of each unit in the Insured Property.	
THE BUSINESS:	Property owner and landlord	
PERIOD OF INSURANCE:	From 4:00pm Local Standard Time on Tuesday, 14 May 2024 To 4:00pm Local Standard Time on Wednesday, 14 May 2025 Or any other period for which the Company and the insured agree to renew the policy.	
TERRITORIAL LIMITS:	Occurrences other than those specified below:	Anywhere in New Zealand
	Occurrences during and in connection with the performance of duties of any person normally resident or domiciled in New Zealand, but not while performing duties requiring predominantly manual labour except for the purpose of training, or promoting the sale of Products:	Anywhere in the World
	Occurrences in connection with Products:	Anywhere in New Zealand
LIMITS OF INDEMNITY AND DEDUCTIBLES:		
	General Indemnity Indemnity for damages in respect of which no alternative limit and deductible are specified.	
	Limit any one Occurrence:	$10,000,000
	Deductible:	$250

Bailees' Liability Memorandum

Limit any one Occurrence:	$250,000
Deductible:	$1,000

Exemplary Damages Memorandum

All claims made against the Insured during the Period of Insurance:

Aggregate limit:	$1,000,000
Deductible (each Occurrence):	$250

Farm Business Memorandum

All occurrences of Damage or Injury during the Period of Insurance:

Aggregate limit:	$500,000

Fire Authorities Memorandum

Limit any one Occurrence:	$500,000

Motor Trades Memorandum

In respect of Damage caused by or arising out of the repair, renovation, installation or servicing by the Insured of any property to which the Memorandum applies:

Limit any one Occurrence:	$500,000
Deductible:	$1,000

Products

All occurrences of Damage or Injury during the Period of Insurance:

Aggregate Limit:	$ 10,000,000
Deductible (each Occurrence):	$ 250

Support of Land or Buildings

In respect of Damage caused by or arising out of the removal or weakening of or interference with the support of land or buildings:

Limit any one Occurrence:	$500,000
Deductible:	$ 5,000

DESIGNATED CONTRACTS:	Contracts to which the exclusion of liability assumed by agreement does not apply:	Nil
ENDORSEMENT	AIG GL Endorsement eDIT V2 310815	
POLICY WORDING	GL Policy eDIT V1	

Statutory Liability

Summary of Cover

To cover fines or penalties imposed for unintentional breaches of certain statutes.

POLICY NUMBER:	SBS 200182	
THE INSURER:	AIG Insurance New Zealand Limited	
INSURED:	Body Corporate 46906 and the owner of each unit in the Insured Property.	
THE BUSINESS:	Property owner and Landlord	
PERIOD OF INSURANCE:	From 4.00 pm Local Standard Time on 14 May 2024 To 4.00 pm Local Standard Time on 14 May 2025 Or any other period for which the Company and the insured agree to renew the policy.	
STANDARD LIMITS	Aggregate Limit of Indemnity	$ 1,000,000
DEDUCTIBLE		$ 500
RETROACTIVE DATE		Unlimited
POLICY WORDING	AIG Statutory Liability Wording V2	

Association Liability

POLICY REFERENCE:	MAS 100240	
THE INSURER:	AIG Insurance New Zealand Limited	
INSURED:	Body Corporate 46906 and any subsidiary company, more than half the nominal value of whose equity share capital is owned by the named Insured either directly or through other subsidiaries; and any entity over which an Insured exercises management control.	
PERIOD OF INSURANCE:	From 4.00 pm Local Standard Time on 14 May 2024 To 4.00 pm Local Standard Time on 14 May 2025 Or any other period for which the Company and the insured agree to renew the policy.	
STANDARD LIMITS:	Aggregate Limit of Indemnity	$ 1,000,000
DEDUCTIBLE:		$ 2,000
RETROACTIVE DATE:		Unlimited
POLICY WORDING:	AIG/Marsh Associations Combined Liability Policy	

Section Five

Insurers and Ratings

The ratings of the insurance companies with whom your insurance is placed with, or may be placed with, are as below.

Name of Insurer	Financial Strength Rating	Rating Agency
AIG Insurance New Zealand Limited	A	Standard & Poor's

Financial strength rating scales

Standard & Poor's					
AAA	(Extremely Strong)	AA	(Very Strong)	A	(Strong)
BBB	(Good)	BB	(Marginal)	B	(Weak)
CCC	(Very Weak)	CC	(Extremely Weak)	SD	(Selective Default)
D	(Default)	R	(Regulatory Supervision)	NR	(Not Rated)

The ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standings within the major rating categories. The rating scale above is in summary form. A full description can be obtained from www.standardandpoors.com

AM Best			
A++, A+ (Superior)	A, A- (Excellent)	B++, B+ (Good)	B, B- (Fair)
C++, C+ (Marginal)	C, C- (Weak)	D Poor	
E Under Regulatory Supervision		F In Liquidation	S Suspended

Further information on these ratings is available at www.ambest.com

Fitch					
AAA	(Extremely Strong)	AA	(Very Strong)	A	(Strong)
BBB	(Good)	BB	(Marginal)	B	(Weak)
CCC	(Very Weak)	CC	(Extremely Weak)	SD	(Selective Default)
D	(Default)	R	(Regulatory Supervision)	NR	(Not Rated)

Note: “+” or “-“ may be appended to a rating to indicate the relative position of a credit within the rating category. Such suffixes are not added to ratings in the AAA category or to ratings below the CCC category.

Please note:

Marsh’s Market Information Group has established minimum financial guidelines for the insurance companies we use to help provide a relative framework and highlight insurer solvency. While Marsh does not guarantee the solvency of any insuring entity, we attempt to keep our clients informed about changes in the insurance marketplace.

Some insurers may be rated by more than one rating agency.

Section Six

Schedule of Available Insurances

The following are types of insurance that are commonly available, and we have indicated which of these are currently part of your programme. Many of these types of insurance may have no application to your current risk profile; however, they may have some application in the future. In other cases you have elected to self-insure the risks. Please let us know if we can assist with a detailed review of your uninsured risks.

Property and Casualty Risks	Insured	Not Insured
Advance Profits To cover loss of future income where completion of a construction project is delayed by damage.	☐	☑
Boiler Explosion To cover boilers and other pressure vessels against risk of explosion; this risk is commonly excluded from cover under Material Damage insurance.	☐	☑
Book Debts To cover loss resulting from inability to recover debts because of damage to records.	☐	☑
Business Interruption To cover loss of income and increased costs resulting from damage to assets; sometimes referred to as ‘Loss of Profits’ or ‘Consequential Loss’ insurance.	☑	☐
Computer / Computer Consequential Loss To cover computers and computer media against a wider variety of risks than those covered under a Material Damage policy. Cover can be extended to include financial losses and extra costs, including data reconstruction, following damage covered under a computer policy.	☐	☑
Contract Works To cover contract works against physical loss or damage and, as an option, to cover general legal liability arising in connection with the contract works.	☑	☐
Deductible Buy-Down To cover all or part of a deductible imposed under insurance arranged by the company, contractors or subcontractors under which the company is covered.	☐	☑

Property and Casualty Risks	Insured	Not Insured
Fidelity / Computer Crime To cover theft by employees; this risk is commonly excluded from cover under Material damage insurance.	☐	☑
Machinery / Machinery Breakdown To cover breakdown risks. These risks are commonly excluded from cover under Material Damage insurance. Cover can be extended to include loss of income and increased costs resulting from damage by a peril insured under a Machinery policy.	☐	☑
Material Damage A general form of policy covering property such as buildings, plant and stock.	☑	☐
Money To cover cash and other forms of money against loss or damage while it is at your premises or in transit.	☑	☐
Stock Deterioration Deterioration following accidental stoppage of refrigeration equipment for chilled or frozen goods. Usually only available in conjunction with Machinery Breakdown insurance.	☐	☑
Terrorism To cover terrorism risks. This risk is commonly excluded from cover under Material Damage insurance.	☐	☑

Liability Risks	Insured	Not Insured
Associations Liability To cover entities such as professional bodies, sporting associations, not-for-profit organisations and trade industries, for legal liability incurred through advice or services provided to their members or the general public. Cover is available for the association, its officers, board of management, board of trustees or management committee members.	☑	☐
Bailees Liability To cover liability for damage to property held under bailment, or in your custody and / or control.	☑	☐
Cyber and Privacy Risk Specialised cover for protection of internet and network exposures some of which are excluded from traditional Material Damage and Business Interruption policies. Also covers liability to third parties as a result of the use of your IT systems as well as damage or destruction of your own systems and records. Cover is also available to protect the company's reputation should a breach of cyber privacy occur.	☐	☑

Liability Risks	Insured	Not Insured
Directors and Officers Liability To cover directors, executives and employees against liability they might incur in carrying out the duties of a company director. The insurance will also reimburse the company where it has already indemnified its directors for any such liability. Cover includes associated defence costs.	☐	☑
Employers Liability Covers claims made by employees against employers for injury or illness occurring in the workplace where cover falls outside the scope of accident compensation legislation. Cover includes associated defence costs.	☐	☑
Employment Disputes Liability To cover damages and costs arising out of certain employment related disputes such as wrongful termination, harassment and discrimination. Cover includes associated defence costs.	☐	☑
Exemplary Damages (also called Punitive Damages) To cover damages arising out of bodily injury in New Zealand where the law otherwise prevents legal action for compensatory damages.	☑	☐
General Liability To cover claims from third parties for property damage or bodily injury arising out of the business activities of the insured (sometimes referred to as 'Public Liability' insurance). Cover includes associated defence costs.	☑	☐
Liability – Consequential Loss To partially cover loss of gross profit and increased costs arising from an event that also gives rise to a valid claim on a liability policy. This limited form of cover is only available where the liability insurance is provided by the same insurer.	☐	☑
Libel & Slander / Defamation To cover legal liability arising out of defamatory remarks made in either written or oral form. Cover includes associated defence costs.	☐	☑
Private Legal Aid To cover private persons and their families for private legal aid costs for defending a variety of criminal, traffic and civil actions.	☐	☑
Product Guarantee To cover liability for correcting defects in products or for replacing defective products.	☐	☑
Products Liability To cover liability for damage arising out of products supplied. Cover includes associated defence costs.	☑	☐

Liability Risks	Insured	Not Insured
Product Recall To cover liability for the cost of recalling products which are defective or suspected of being defective.	☐	☑
Professional Indemnity To cover legal liability incurred by giving negligent advice or through a breach of professional duty. Cover includes associated defence costs.	☐	☑
Prospectus Liability To cover the company, its directors and senior executives for liabilities arising from the issue of a prospectus, information memorandum or other sale/ purchase documents. This liability is generally excluded from Directors and Officers Liability policies unless they are specifically extended to cover it. Cover includes associated defence costs.	☐	☑
Statutory Liability To cover fines or penalties imposed for unintentional breaches of certain statutes. Cover includes associated defence costs.	☑	☐
Trustees Indemnity To cover trustees for personal liability arising from alleged wrongful acts in performing their duties as trustees and to reimburse the trust when it has provided an indemnity to the trustees. Cover includes associated defence costs.	☐	☑
Warranties & Representations Liability To cover liability arising from specific representations or warranties made in an agreement between parties.	☐	☑

People Risks	Insured	Not Insured
Accident Compensation Supplementary Benefits To supplement the limited cover available under Accident Compensation legislation.	☐	☑
Buy Sell Agreements The agreement formalises the procedure for the disposal of shares where the agreed purchase value of those shares is funded by insurance proceeds. Agreements of this nature should be formalised in every co-owned organisation	☐	☑
Group Employee Benefits This includes a variety of individual and group insurance including life insurance, total and permanent disablement insurance, long-term income protection, medical expenses and accident plans.	☐	☑
Key Person Indemnity To provide cash benefits to the company in the event of death or disablement of key personnel.	☐	☑

People Risks	Insured	Not Insured
Personal Insurance Complimentary assessments of personal insurance needs for staff members by Marsh risk advisers.	☐	☑
Shareholder Protection The commercial arrangement of insurance to fund the buy-out of shares of a deceased or disabled shareholder in a privately held business.	☐	☑

Transport Risks	Insured	Not Insured
Aviation Hulls To cover aircraft against physical loss or damage.	☐	☑
Aviation Liabilities To cover public liability arising out of the use of aircraft. (Public Liability insurance does not cover liability arising out of the use of aircraft).	☐	☑
Carriers Liability To cover liability under the Carriage of Goods Act. Cover can be extended to include consequential losses and legal expenses arising from the Carriage of Goods Act.	☐	☑
Charterers Liability (Aviation / Marine Hull) Protection tailored to meet the conditions of a Marine or Aviation charter agreement for hull and/or liabilities.	☐	☑
Marine Cargo To cover shipments of goods by land, sea or air.	☐	☑
Marine Hulls To cover watercraft against physical loss or damage.	☐	☑
Marine Liabilities To cover public liability arising out of the use of watercraft (also known as ‘Protection and Indemnity’ or P & I insurance). Public Liability insurance generally does not cover liability arising out of the use of watercraft greater than 8m in length. ’Towcon’ or Towhire’ Conditions cover is recommended in the event a vessel suffers a breakdown and requires towage from another vessel.	☐	☑
Motor Vehicle To cover direct loss or damage to vehicles and public liability (‘third party’ liability) in connection with the vehicles.	☐	☑

Miscellaneous Risks	Insured	Not Insured
Accidental & Malicious Produce Damage / Tamper Crisis Management providing cover for Product Recall, Restoration Costs, Loss of Income and Incident Response Costs following product tamper.	☐	☑
Bonds Financial devices (rather than insurance policies) designed to avoid the need to provide a bond in cash.	☐	☑
Credit Insurance & Trade Debtors To cover the risk of trade debtors failing to pay debts due to their insolvency or protracted default.	☐	☑
Environmental Impairment A special form of pollution liability insurance.	☐	☑
Extortion Insurance in this category includes kidnap, ransom and product tampering.	☐	☑
Forest A special form of insurance for forests. This risk is commonly excluded from cover under Material Damage insurance.	☐	☑
Growing Crops A special form of insurance for crops. This risk is commonly excluded from cover under Material Damage insurance.	☐	☑
Legal Expenses To cover legal expenses incurred in civil actions.	☐	☑
Livestock A special form of cover for livestock. This risk is commonly excluded from cover under Material Damage insurance.	☐	☑
Political Risk To cover overseas assets and contracts against confiscation, expropriation or nationalisation. The insurance can also include cover against frustration or repudiation of a contract.	☐	☑
Travel To cover baggage, medical costs and other travel related risks.	☐	☑

Appendices

Appendix A

Important Notices

Duty of Disclosure

You have a common law duty to disclose all material facts before entering into, renewing or altering a contract of insurance. If you fail to do so, or if any material facts are misrepresented, the insurance could be made void.

The Insurance Law Reform Act defines a material fact as one that would influence a prudent insurer in accepting or rating a risk. Your common law duty of disclosure applies only before each contract is entered into, renewed or changed, but some policies have a condition that extends the duty throughout the period of insurance.

Your duty of disclosure does not include facts which are common knowledge. Nor does it include facts already known to your insurer, or which ought to have been known to your insurer in the ordinary course of business. If in doubt, it is safer to disclose information than to conceal it.

Utmost Good Faith

Every insurance contract is subject to the doctrine of utmost good faith, which requires that parties to the contract should act toward each other honestly and fairly, avoiding any attempt to deceive in assuming and performing contractual obligations.

Failure to do so on the part of the insured may permit the insurer to refuse to pay a claim or to cancel the policy or both.

Essential Reading of Policy Wording

We will provide you with a full copy of your policy as soon as it is received from the insurer.

It is essential that you read this document without delay and advise Marsh in writing of any aspects which are not clear or where the cover does not meet with your requirements.

Marsh & McLennan Agency Placement System

Your insurance may be placed with insurer(s) through Marsh & McLennan Agency Limited (MMA), a related party of Marsh Limited, using an internet based placement system that allows for the efficient transfer of underwriting information and issuing of policy documentation. MMA is remunerated by insurers who use the placement platform and this is separate from the remuneration paid to Marsh for placing this insurance. Marsh discloses its wider compensation arrangements in a document entitled “Compensation Guide for New Zealand clients” available at www.marsh.co.nz.

Claims Made Policies

Your insurance programme may include covers which are "claims made" contracts such as Directors & Officers Liability, Statutory Liability, Employer's Liability and Professional Indemnity. It is essential that insurers are made aware of all claims or potential claim circumstances of which you, or your organisation, have become aware of during the current insurance period. A "claims made" contract is a policy which only applies with regard to claims made and notified to insurers during the policy period, subject to the act, error or omission giving rise to the claim occurring after any policy retroactive date.

Any claims or potential claims which arise subsequent to your completion of the proposal form or renewal declaration must be reported to insurers prior to the expiration of the current policy. If you are in any doubt as to whether a matter would be deemed to be a notifiable circumstance, we strongly recommend that you report the matter. Insurers do not usually penalise an Insured for reporting matters "out of an abundance of caution".

Changes and Disclosure

It is important that you advise us immediately of any changes or developments to your business that would be material to your insurance programme. Examples include:

- Acquisition of or merger with another company, newly created or acquired subsidiaries.
- Any new claim, or potential claims incident, that has not been reported to your insurers.
- Business undertaken that is outside the scope of the description in your policies.
- The purchase, construction or occupancy of new premises.
- Alteration, vacancy, unoccupancy, extension or demolition of premises.
- Increase in values beyond the insured limits on property.
- Significant removal of stock or equipment to different locations.
- Assumption of liability or waiver of recovery rights under the terms of any agreement or contract.
- Hiring, leasing or borrowing of vehicles, plant or equipment.
- Charter of aircraft or watercraft.
- Substantial change in processing methods, occupancy of premises, or products.
- Development of new export markets, particularly in North America.
- Alteration to or disconnection of your fire or burglary protection systems.
- Proposed installation or modification of pressure plant, refrigeration plant or key machines.
- Issue of a prospectus, information memorandum or other documents in connection with the sale of the company's own securities.
- New outside directorships undertaken during the policy period.
- Changes to the Indemnity or Insurance clauses in the Company's Constitution.

This list is not exhaustive. Generally, you should let us know about any matter that might have an effect on the adequacy or validity of your insurance.

Many policies contain an express condition requiring notification of any changes that materially increase the risk as originally proposed to the insurer. Breach of such a condition could invalidate cover.

Hold Harmless Agreement

If you sign a contract that has a clause preventing or limiting your right to sue another party for recovery of a loss, your insurers will be unable to exercise subrogation. The clause might therefore be deemed a material fact which, if not disclosed to your insurers, could result in your insurance being rendered void.

Some policies contain a clause that permits certain kinds of waiver without having to disclose them. Before signing a contract that contains any kind of waiver, please check with your Client Executive.

This applies in particular to the kind of waiver that relieves other parties of liability for their own negligence.

Subrogation

Some policies contain provisions that either exclude or reduce the insurer's liability for a claim if you waive or limit your rights to recover damages from another party in relation to any loss.

You may prejudice your rights with regard to a claim if, without the prior agreement from your insurers, you make any agreement with a third party that will prevent the insurer from recovering the loss from that, or another party.

If you have such agreements, we may be able to negotiate with the insurer to permit them and therefore we request you advise Marsh of their existence.

Examples of such agreements are the "hold harmless" clauses which are often found in leases, in maintenance or supply contracts from burglar alarm or fire protection installers and in repair contracts. If you are in doubt, please consult Marsh.

Trade Sanctions

Marsh is unable to provide insurance or reinsurance broking, risk consulting, claims or other services or provide any benefit to the extent that the provision of such services or benefit would violate applicable law or expose Marsh or its affiliates to any sanction, prohibition or restriction under UN Security Council Resolutions or under other trade or economic sanctions, laws or regulations.

Average / Co Insurance (other than Business Interruption Insurance)

It is common practice in many countries for insurance contracts to be subject to "Average", although this is unusual in the New Zealand insurance market. If your policy has an Average clause contained in it, this means that if the "full value" of the property insured exceeds the sum insured, you would be required to contribute proportionally to each loss. The calculations of "full value" vary from one policy to another, depending on the basis of valuation contained in the policy. Policies that may contain an average clause include Fire, Material Damage, Business Interruption, Home Buildings and Contents. A simple example is:

Full Value at policy commencement date	$1,000,000
Sum Insured at policy commencement date	$700,000
$700K/$1M - insurer pays 70% of any insured loss & insured retains balance of 30%	
Amount of Claim, say	$100,000
Amount payable by Insurers as a result of the application of Average/Co-Insurance *(being 70% of $100,000)*	$70,000

Appendix B
Glossary

Your insurance policies and this report include terms which are peculiar to insurance. For your guidance we have set out below some explanation of the more commonly used terms:

Dual wages	This term derives from the fact that indemnity is provided for payroll ie wages and salaries during two separate periods. The first is the initial selected period e.g. 8 weeks beginning with the damage during which 100% of the rate of wages is applied. After the initial period the cover continues throughout the remainder of the wage roll. Cover is flexible, as the initial period can be compressed or extended depending upon the effects of a loss.
Ex gratia	A goodwill payment made by an Insurer where it has no liability to make such payment under the contract.
Extra reinstatement conditions	Provides protection for additional costs to comply with regulations of Statutory Authorities following a loss e.g. if your premises has a wooden staircase, whereas current regulations require brick, your initial sum insured should allow for reinstatement in brick. There are many other circumstances such as the requirement for a sprinkler system which should be allowed for.
Indemnity	The principle of indemnity is to place the Insured in the same financial position after a loss as that which they occupied immediately before the loss. The Insured does not receive "new for old".
Indemnity period	The period during which the results of the business are affected by the damage but not exceeding the insured indemnity period under a Business Interruption policy.
Indemnity value	The current value of an item, taking into account its age and condition at the time of loss or damage.
Inherent vice	This term refers to a quality inherent in property which produces damage to the property without the assistance of an outside agency and by its own action eg. weevils in flour.
Insurable gross profit	This term is used in Business Interruption insurance and comprises Net Profit plus the total of all expenses which will not diminish proportionally with a reduction in turnover e.g. Rent and Rates.
Knock-for-Knock Agreement	An arrangement between most motor vehicle Insurers whereby each Insurer pays its own repair costs for damage to the vehicle of its own customer, regardless of fault.
Material fact	A fact that would influence the judgment of a prudent underwriter in accepting or rejecting a proposal for insurance, and on what terms.

Reinstatement and/or Replacement Conditions	This is a method of insuring property on a "new" for "old" basis. Where the policy contains this provision, settlement would be based on the cost of replacing the property or restoring the damage in new materials without any deduction for depreciation.
Subrogation	The right of an Insurer to take over the legal rights of the Insured person in order to recover payment from a third party that is partially or wholly responsible for a loss which an Insured has made a claim for.
Under insurance	A situation where the sum insured is less than the true market value of the item insured.