

Commercial Earthquake Rating and Excesses

As previously mentioned, we are currently finalising our underwriting approach to the 22 February earthquake. While there are still a large number of uncertainties around our approach to the earthquake as a nation, what is clear is that earthquake pricing, excesses and underwriting in general will change considerably. Some of you will already be seeing examples of our changed approach in both renewals and new business as our team starts to introduce our new approach. This is part of the work we've already started in response to the changes brought about by the February earthquake.

Pricing

Earthquake rates will increase considerably countrywide. The scale of the disaster will require a revised New Zealand minimum rate of at least .08% (probably more) and we will be moving rates directly to our technical pricing. Overall we believe rates will at least double, but for many customers (examples include those in higher earthquake risk areas, with higher risk buildings, or currently on below-market rates) the level of increases will be significantly higher.

Excesses

We will be moving to site excesses nation-wide rather than percentage of loss. The exact level by region is currently being finalised.

With the volume of business in our commercial area, we have a lead in time of over two months to "normalise" price and deductible changes into our renewal cycle. Until this happens, our staff will be contacting you individually on those accounts coming up for renewal where we will require immediate changes to renewal terms.

We are responding to an unprecedented situation and it is inevitable that our underwriting response will continue to develop and change over the coming months as reinsurer response and market trends develop. We will do our best to keep you informed as we move forward.