

Welcome!

Welcome to the Brokerweb Risk Services website and our first issue of our quarterly newsletter Inform.

In this newsletter we highlight the importance of insurance in difficult times whilst the second article by Dr. Ganesh Nana defines the meaning of 'wealth' and just what has been destroyed in this recession is questioned. Dr. Nana is a Senior Economist with BERL forecasts and uses an interesting analogy with air travel to put the recession in perspective.

We trust you will enjoy reading these articles and if you require any further information regarding items in this newsletter or for any insurance queries you may have, please feel free to use the 'Contact' form on the website for your nearest office.

FOR MORE INFORMATION CONTACT US ON
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Lighting the way

The relationship between you and your broker is fundamental to ensuring that your insurance is in order.

In these uncertain economic times, it is important that New Zealanders continue to value their insurance cover and don't sacrifice the security that a good risk management program brings to their lives and business. Cutting back on insurance cover to help handle money matters may ease cash flow in the short term but can backfire in the long term, leaving you seriously out of pocket.

As always, the relationship between you and your broker is fundamental to ensuring that your insurance is in order. A consultation with your broker may be necessary to make them aware of any issues you may be facing as a result of the current recession. Now, more than ever, it is important that you meet your broker – in person – at renewal time to discuss your insurance program and hear their value proposition and advice.

There are many horror stories regarding under-insurance, where sums insured or indemnity periods are insufficient to cover the damage or loss. It is important that you are aware of what may result from allowing insurance cover to be sacrificed and that you understand the wider implications of leaving yourself unprotected.

There are some options for you if you are looking to cut costs because of reduced or deferred income:

- An increased voluntary excess is one way to save on premium, while still maintaining an adequate level of cover. If you increase the claim amount you pay before the insurance policy kicks in, you pay a lower premium. You can then plan for your premium payment as well as your excess, rather than risking unknown costs at the other end if you reduce sums insured.
- Instead of paying your insurance premium in a one-off payment, monthly payment options spread your premium payments over a 12 month period and give you more flexibility with cash flow.

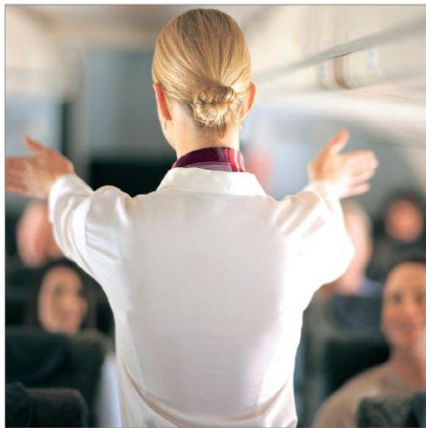
In this current economic environment, nobody can afford to be in a position where they cannot reinstate due to inadequate sums insured or indemnity periods. Rather than reducing insurance cover, it is more important that any unforeseen losses are fully insured due to reduced capital being available.

Speak to us today to find out about the best options for your insurance cover.

Have the oxygen masks really dropped?

Author: Dr Ganesh Nana
Senior Economist, BERL Forecasts

We are told that this time it is bad. But, how bad? Have the oxygen masks really dropped? If so, can anybody remember the emergency briefing?



Some are saying we are witnessing the biggest destruction of wealth we have ever seen. I beg to differ. I find it curious that some measure wealth in terms of what some people are prepared to pay for bits of paper.

I prefer to measure 'wealth' in terms of the physical resources available to humankind to produce and supply the things we require to improve our collective lives. Taking this frame of reference, the recent past has seen little destruction of wealth. Machinery, equipment and land as well as transport, energy and communications infrastructure around the globe remain sound. The collective skills and abilities of the people remain undiminished.

Yes, there is some destruction of wealth currently in, for example, Afghanistan. But such destruction hasn't been seen on a global scale since, arguably, WWII when chunks of continents were destroyed. Without doubt, wars destroy wealth. But, while financial crises destroy the paper value of the wealth we possess, they do indeed leave the real or physical attributes of that wealth intact.

Thus, the primary challenge facing New Zealanders and its businesses is to not get overawed by the gloom from financial media and associated commentaries. We need to recognise that the economic issues facing New Zealand remain essentially unchanged. If not, we seriously risk talking ourselves into an economic hole that is a lot darker and deeper than conditions warrant.

Yes, the current global crisis is very bad. OK, very, very bad, if you must. But just like the chook with no head, jumping up and down shouting "the end is nigh" at regular intervals is not very helpful. Especially if you're surrounded by passengers who would probably prefer help with their oxygen masks.

So, what is required? As per the emergency briefing at the start of the flight, we should calmly follow the instructions of the flight crew.

And, what are their instructions? "Remember your training; this is what we have trained for". So, what should our flight crew be remembering from their training? Well, it is all about those resources:

The challenge for New Zealand is, and always has been, to use our resources to produce and supply goods and services for overseas customers to generate sufficient income to invest in maintaining, sustaining and enhancing our productive resources so as to protect the lifestyle most New Zealanders believe to be our birthright.

And the more successful we are in meeting this challenge, the more resilient our safety net for when the next crisis arrives. Meeting this challenge requires establishing a new, closely-regulated financial payments system that enables business and trade to continue. In the current climate, it is the threat posed by the destruction of paper wealth to entrepreneurship and innovation that is the most dangerous to our future prospects.

Consequently, we await our captains of industry on the flight deck, not to mention the political hosts and hostesses in cabin class, to calmly guide us to the emergency exit.

Insurance Terms

The insurance industry has become more complex with its own language of terms, legal issues and subtle details. You need a knowledgeable expert at every stage of the process to interpret all this and what they mean for you. A broker's advice can also be invaluable, as your insurance needs change and your requirements become more complex.

Insured: A person or organisation covered by an insurance policy.

Claim: Notification to an insurance company that payment of an amount is due under the terms of a policy when a loss happens that is covered by that policy.

Excess: The amount of loss that is to be borne by the Insured prior to being able to claim on the policy.

Indemnity value: The item's current value allowing for its age and condition at the time of the loss or damage.

Policy: The contract form, including the Schedule, which is issued by the insurance company to the Insured setting out the details of the insurance, including the property insured, the amount of insurance, the premium and excess, period of insurance, and other conditions and exclusions of the contract.

Premium: The money that must be paid by the Insured for the insurance policy.

Renewal: When the insurer and insured agree to continue the insurance from one risk period to the next.



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