

# Vero Market Overview

May 2023



## Effects of the recent weather events and Government response

### Cyclone and Flood Recovery Programme

(pre-budget announcement)

A **\$1B** (\$195M new capital, \$941M in operating allowances) flood and cyclone recovery package across all agencies was announced, with bulk components taken by Waka Kotahi and Kiwirail (\$395M), school properties repair and relocation (\$115M) and a temporary accommodation provision (\$142M).

This includes a **\$100M** pool to which affected Councils can apply for co-funding from with local solutions. This work will have to be led by Councils in design and in the funding proposal. There is limited information how allocation decisions will be made, but they will consider future land-use to be determined by the Government's announcements on Categories 1, 2, 3.



We support councils and the Government acting to lower risks following the Auckland/Northland floods and Cyclone Gabrielle events. Keeping insurance accessible to all New Zealanders remains a top priority.

Transferring risks to only insurance companies does not reduce the risk of future weather event-related damage or loss, however reducing this risk across a number of broader initiatives will support availability and affordability of insurance.

Vero and several other insurers (via Swiss Re Solutions) have provided the Government with aggregated claims data for both weather events and overlaid that with a flood model as one of many inputs to help inform Government decision-making.

Regarding the Government's assessment and categorisation of properties, given the sensitivity of this information we understand why we do not as yet have visibility of our customers who may be in scope of this work. However once known, we will offer our full support to our customers and we will still be there for them to settle their claim.

## Engaging the Government on customer and industry themes



On May 4th the Government announced it will introduce rollover tax relief for North Island businesses, meaning that they will not have to pay tax on insurance payments for damaged buildings, plants, and equipment.

This will be introduced by the end of May and apply to assets repaired or replaced in the next five years. The relief is similar to that provided after the Christchurch earthquakes, however businesses will not be required to rebuild where they were previously to qualify.



On May 11th Suncorp New Zealand hosted a session on Parliament titled Insurance: Now and in the future.

12 MPs across key portfolios and regions affected by recent weather events joined staff from Suncorp New Zealand to discuss topical issues such as natural disaster preparedness, pricing, reinsurance, and product innovation.

## Customer Experiencing Vulnerability

(Weather event focus)

We're here to support our customers impacted by the recent wild weather in the following ways:

If any customer impacted by the wild weather is also experiencing significant hardship or may be in a vulnerable position, we will discuss additional support available when they call to lodge their claim.

All of Vero's frontline claims consultants and staff of our building project management partner, Morgan Project Services (MPS) are fully trained to identify vulnerability and ensure our customers receive the right support.

vero Support

Vero total to date (CEV) 962



- Medical 33%
- Elderly 31%
- Life stages 14% (Pregnant, Young Family, Change Job)
- Disability and/or Physical Injury 11%
- Mental Health 6%
- Grief or Trauma 2%
- Diversity 1%
- Wellbeing 1%
- Other 1%



## Reinsurance



Suncorp Group is working with its reinsurance partners to consider the best approach to renewing the reinsurance program in June 2023 to provide maximum value.

Reinsurance markets have been subject to changing loss trends and macroeconomic volatility for some time and in the last year this has included, above average catastrophe losses, high inflation, and increased climate change awareness driving investor sentiment.

This has been exacerbated by two large events in the Auckland Floods and Cyclone Gabrielle which have reduced risk appetite for New Zealand covers in the market. As a result, we will continue to see reinsurers reducing the available capital along with increased rates and deductibles being offered to insurers.

## Sustainability

### Mandatory Climate Disclosures



Suncorp New Zealand is developing our mandate climate disclosure for FY24.

A focus for us is to develop our data capability to support climate reporting and making progress with our climate change scenario analysis.

### Net Zero Transition Plan

We are working with Suncorp Group on the net zero transition plan (our plan to achieve our net zero commitments).

A significant focus for this plan is building our GHG accounting capability, especially for Scope 3 emissions (including financed emissions). Improving data management is a key part of this work.

