

Vero Market Landscape Overview

(October – December 2022)



Legislation/regulatory update



The below is a snapshot of legislation currently being proposed, implemented, or consulted on which Vero is working closely on:

Changes to EQCover

- Since October 1, changes to EQCover are in place for all new policies and renewals of existing policies.
- The calculation of premiums this year which customers will see at renewal includes an adjustment for the EQCover changes, sum insured indexation and factors impacting our claims costs such as weather and strong inflation. We price our natural disaster premium differently to EQCover, so customers may find that their premium goes up or down depending on their location and how we calculate their risk.
- We've created the following additional resources to support with EQCover related customer conversations:
 - [Video with Steve Fearon – Home Portfolio Manager](#)
 - [Customer facing flyer](#)

Flood Insurance consultation

- Last month, The Treasury completed initial consultation with insurers on flood insurance in New Zealand.
- The Government has asked The Treasury to provide advice on a range of details relating to flood insurance. This includes the current and longer-term availability and affordability of flood cover, and the application of risk-based pricing.
- Vero has been actively participating with The Treasury to provide accessibility to flood cover information, and feedback on selected overseas interventions.

Affordability

In the last quarter (July to September), we continued supporting customers experiencing vulnerability.



Financial hardship support

129 customers received financial support totalling \$55,167. The breakdown of financial support was as follows:

- 47% Premium Waiver
- 33% CEV
- 17% Excess Waiver
- 3% SME/Business Waiver



*A customer was impacted by Covid and between him and his wife their income had reduced by 40%. They were struggling to make their payments and **our customer solutions team were able to provide a premium waiver** to support the customers with keeping their insurance in place.*

Brilliant in the Moments that Matter (BIMM)



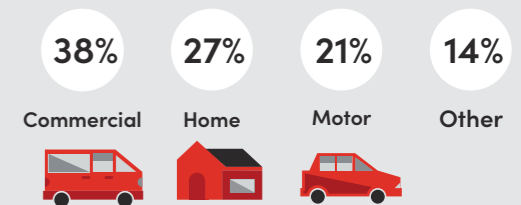
383 customers feeling overwhelmed by their circumstances received a gift as a token of our care through our Brilliant in the Moments that Matter (BIMM) initiative.

“Thank you for the lovely bouquet of flowers and card. I have never experienced such a generous, random act of kindness. I was overwhelmed by the thoughtfulness, kind words and generosity of spirit.”

Market trends

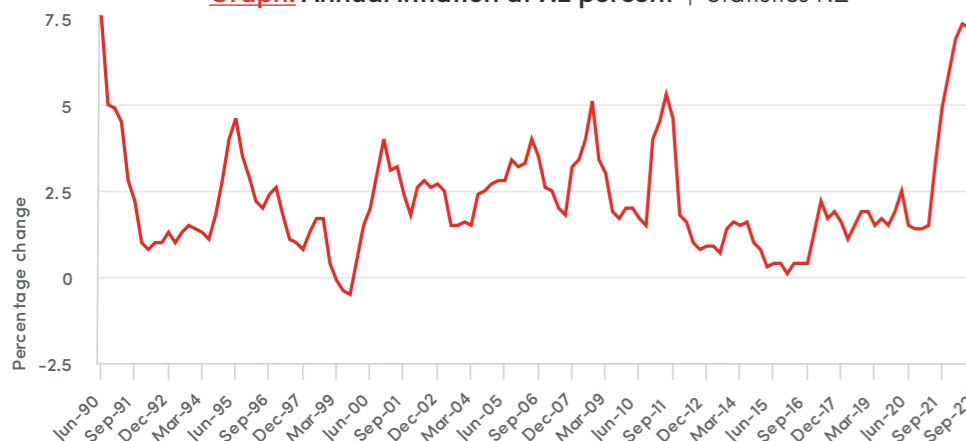
Based on the Insurance Council of New Zealand (ICNZ) statistics, the Vero statistics for the quarter ending 30 June 2022 are as follows:

- **Total market GWP** increased by 2.96% to \$8.35b, up \$240.3m from the previous quarter.
- **Year-on-Year (YoY)** the market has seen an increase in GWP of 9.27% (\$708.5m).
- **Industry GWP split by portfolio** 12 months to 30 June 2022:



Impact of Inflation on Claims

Graph: Annual inflation at 7.2 percent | Statistics NZ



As New Zealand continues to battle a cost-of-living crisis driven largely by skyrocketing inflation, in the insurance space we continue to navigate the resulting impacts while also making some headway in certain areas.

Labour

A general shortage of construction labour continues, although there are indicators of a slow-down of building activity with some of our building suppliers reporting capacity for more work. Construction labour costs increased 4.1% between July 21 and June 22.

Supply chain disruption

Building material constraints have eased and standard building materials are now more readily available, although material cost pressure has not eased and continue to reflect the supply chain disruption.

Global logistics

Shipping costs in FY22 have reached record levels and have recently fallen sharply, although in New Zealand, we are yet to see the impact of the fall in shipping costs with benefits first accruing to major shipping routes.

Construction delays have eased

Compared to pre-Covid, delays in repairs of up to 22% longer on average have been experienced. This has meant that building supplies such as scaffolding, and security fences were needed for longer periods leading to increased costs. However, with materials and building repairer capacity becoming more available, the duration of repairs is likely to decrease.



Russian-Ukraine conflict

As this conflict drags on, so too does the impact on commodity prices leading to higher inflation.

Hurricane Ian

Early indications are that this hurricane could be the largest insured catastrophe event in US history. An event of this magnitude can reverberate around the world in relation to reinsurance costs and the claims impact may see material shortages in some building items.

Currency fluctuations

A decline in the NZ dollar against our major trading partners is a further hurdle for importers to navigate, putting upwards pressure on prices for imported goods.

Motor claims

Some parts required from offshore are still causing delays and worker shortages are still an issue for repairer capacity. Our data is suggesting that the dual impact of global disruption and Covid-19 has caused an increase in settlement timeframes which is about 28% longer.

We also hear that all repairers are still struggling to get staff, with a few recently closing their businesses sighting labour issues as the primary reason.

Note: In this high inflationary environment, there is a likelihood that some may be tempted to underinsure, believing that they are reducing costs but run the risk of not having enough cover. It's worth having a conversation with customers around this and where needed to also advise on the financial hardship support offered to customers by Vero.



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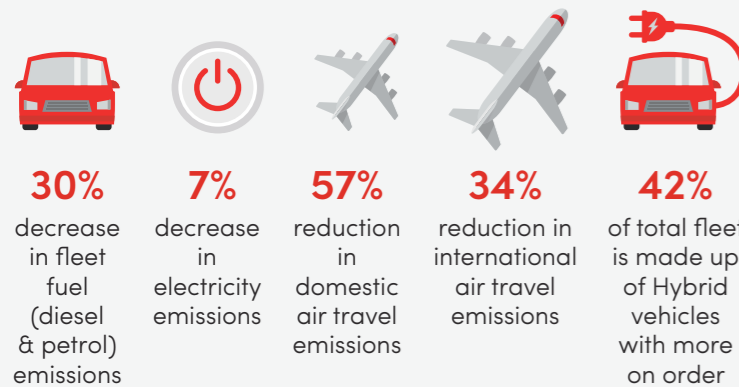


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Sustainability

Vero, as part of Suncorp New Zealand, has brought forward its net-zero target for operational emissions and electricity use (Scopes 1 & 2) Greenhouse Gas emissions (GHG) by 20 years from 2050 to 2030.

Breakdown of emissions reductions efforts over the past financial year



Overall Emission Reductions

Emission reductions to June 2022 equated to a 61% reduction of Scope 1 and 2 emissions since the initial 2018 baseline measurement.



Next Steps

1 Measure Scope 3 value-chain emissions by the end of FY23.

2 Use measurements to target actions towards reducing GHG across our wider sphere of influence (customers, investments, and suppliers).

3 Set targets for indirect emissions from our business (Scope 3) including employees, customers and our supply chain.

Resources & Tools



Helping brokers and advisers reach new heights

We know ongoing industry education is an area of increasing importance, in fact, our research shows 48% of brokers and advisers are actively seeking this. With this in mind we've developed Over and Above, a future focussed set of initiatives, centred around the following four areas of relevance:

TOOLS

for better understanding of customer needs

The Vero Risk Profiler

- What:** An online tool containing a wealth of information to help identify and reduce typical business risks.
- Broker Value:** The guides can assist with customer conversations, be easily shared with renewal documents and is also a great way to educate new brokers and advisers.

More tools

- 2022 SME Index
- Vero SumExtra
- Best Doctors for customers with Rural policies

INSIGHTS

for informative market context

Market Update Insights

- What:** Easy to digest insights applicable to the General Insurance market providing an overview of market and economic trends.
- Broker Value:** This information can be used to re-engage customers quarterly and is a valuable resource to assist with training or upskilling brokers and advisers.

More insights

What Top Ten scenarios need referral?

TRAINING

for professional development

More training resources

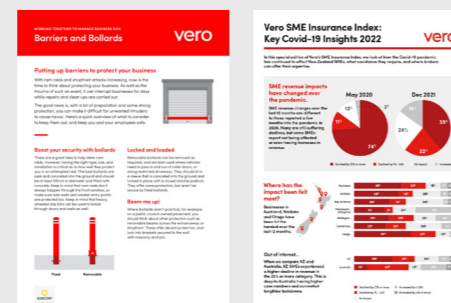
- What:** Vero training focuses on product specific content as well as training developed to help brokers and advisers achieve good customer outcomes.
 - Broker Value:** Staying up to date with industry training, whether it's providing context for new brokers and advisers or upskilling experienced ones.
- What makes a good motor claim
 - What makes a good property claim
 - Multi-unit dwellings

REGULATORY & CONDUCT

for fair practice and understanding

More regulatory resources

- What:** High level updates on industry topics such as CoFi and EQCover, also extending to information and expectations geared towards achieving good customer outcomes.
 - Broker Value:** An easy reference guide to topics on the Regulatory and Conduct radar.
- Regulatory updates
 - Impact of upcoming EQC changes
 - Non-Disclosure Risks



We've surpassed our Spirit to Cure fundraising goal of \$200k and we couldn't have done it without the support of our brokers and partners.

We've raised just over \$265k for our charity partners, Leukaemia and Blood Cancer New Zealand and the Cancer Research Trust.

Find out how you can support, sponsor, participate or volunteer for the Spirit to Cure 2023 by emailing SpiritToCure@suncorp.co.nz.

Ki te kotahi te kākaho, ka whati; Ki te kāpuia, e kore e whati.

When we stand alone, we are vulnerable; but together, we are unbreakable.



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