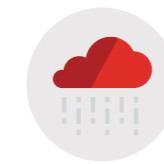


Vero Market Landscape Overview

(July – September 2022)



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Legislation/regulatory update



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

Conduct of Financial Institutions (CoFI)

- The CoFI legislation has now been passed by Parliament. It is expected that conduct licensing applications for insurers and banks will open in mid-2023 and the regime will come into full force in early 2025.

- Late changes to the conduct bill removed requirements for insurers and banks to train, manage and supervise intermediaries and replaced these with requirements to have distribution methods that operate in a way that treats customers fairly.
- The Financial Markets Authority is hosting forums with the insurance industry between July and September 2022 to develop guidance supporting a shared understanding of how fair outcomes for consumers can be achieved via intermediated channels.

Changes to EQCover (effective 01 October 2022)

What is changing?

- EQCover for domestic buildings will increase from \$150,000 to \$300,000 (ex GST). In the event of a natural disaster, insurers will cover losses above \$300,000 (up to the policy sum insured), if required.
- EQC levies will be changing from 20c to 16c per \$100 of cover.

Customer Impact:

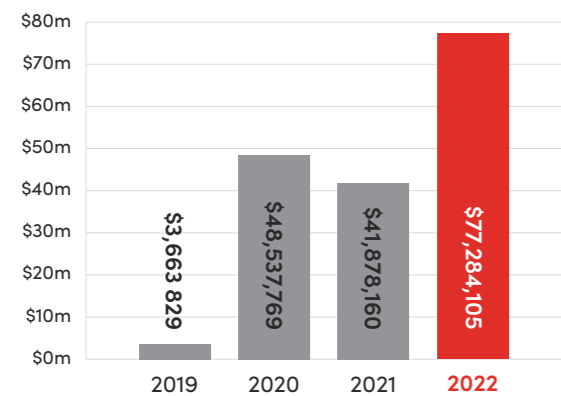
- The changes will affect your customers with residential home insurance, residential cover as part of a rural policy, and commercial customer with residential aspects included in their policy.
- From 01 October, the change applies to all new policies and existing policies as they renew.

What is Vero doing?

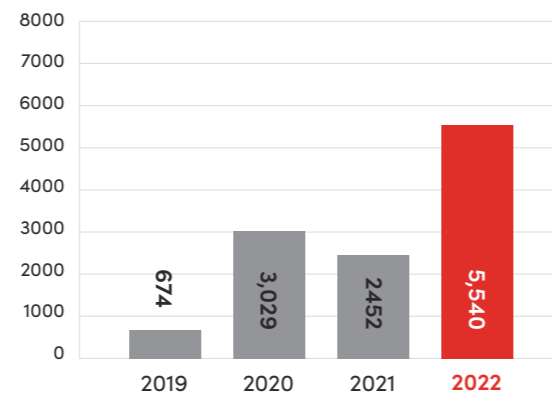
- Direct engagement by leaders to unpack the changes, respond to queries and provide added information or resources as needed.
- Communication via the Inside Word in July with a reminder communication in September.
- Communication to multi-unit customers with a call to action to contact their brokers.

Four-year comparison of extreme weather events

Cost of claims | 2019 – 2022*



Number of claims | 2019 – 2022*



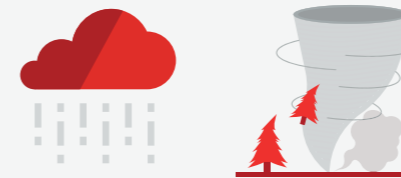
*Data period: 01 July to 30 June

Overview

- Of significance is the sharp increase in both the number of claims (126% increase) and the cost of claims (85% increase) between 2021 and 2022.
- Extreme weather event claims are more complex and take longer to fix.

Weather trends

- Increased weather events** with only months between them are now experienced often as opposed to previous years.
- More mini storms** experienced in addition to major storms, which might include a full-on cyclone.
- Tornadoes**, normally a very rare occurrence but in the last 18 months we've had two (Papatoetoe and Levin).
- Tropical weather patterns** with weather events experienced in February and March over the recent years.



Impact on claims

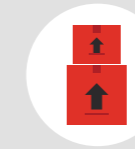
In addition to supplier chain and labour issues:

- New builds** are on the increase over the last 10 years in suburbs that are susceptible to flooding such as West Auckland, Kumeu, and Westport.
- EQC Claims** are managed by Vero since July 2021 putting pressure on the claims staff and assessing teams. Just over 700 claims at a cost of \$13 million in the last 12 months makes this piece of work significant.

Supply issues linked to claims



Labour shortages of skilled and unskilled labour, linked to the Covid and border restrictions continue to impact service levels and claims processing times.



Disruptions to supply chains resulting in significant impact on both building materials and replacement equipment, be it machinery or consumable goods.



Global logistics remains severely constrained. We're seeing dramatic increase in the cost of shipping goods from overseas, up about seven times.



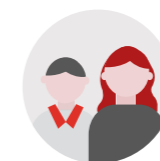
Building consents have reached an annual new record and the time it takes to reinstate damaged property is taking longer due to supply chain disruption.



The Russia-Ukraine conflict is also driving up prices for oil and other commodities resulting in increased inflation.

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Market trends

Based on the Insurance Council of New Zealand (ICNZ) statistics for the quarter ending 31 March 2022:

- **Total market GWP**
– increased by 2.1% to \$8.1b – up \$162.3m from the previous quarter.
- **Year-on-Year (YoY)**
the market has seen an increase in GWP of 8.8% (\$653.2m).
- **Industry GWP split by portfolio**
– Commercial (38%), Home (27%), Motor (21%), Other (13%)

Resources & Tools

Vero Risk Profiler

The Vero Risk Profiler is a tool on the Vero website to help customers and brokers learn about industry and specific risks and how best to reduce them.

With a recent spate of ram raids we've developed a detailed risk guide on ram raid **Barriers and Bollards** to support with customer conversations. Have a look at the guide [HERE](#).



Remediation

- **Our Approach** – dealing with customers fairly and putting things right is at the heart of our approach to conduct and remediation.
- **High Importance** – expectations from our customers, our community, the VINZL Board and our regulator means that this is the **most important** programme of work we have in our business.
- **Scale** – a dedicated focus on fixing legacy issues in our business ranging from less than 100 customers to thousands.
- **Openness** – we take our conduct obligations very seriously and pride ourselves on being proactive and up front about managing remediation issues – e.g., the recent communication clarifying the Multi-Policy Discount.
- **In this together** – the need for our partners and intermediaries to be on board is important to the process. We value your support.

SME Index – 2022 Covid-19 Survey

In our new Vero 2022 Covid-19 infographic, we surveyed 638 New Zealand SMEs and these two specific insights related to brokers stood out:

1. **Communication is key** – SMEs made changes to both their business and insurance but **77%** of these broker SME customers haven't talked to their broker about the impact of Covid on their business.
2. **SMEs have made changes to their insurance** – **15%** of SMEs have increased their cover, **20%** have decreased their cover and **19%** have reduced the number of things covered. So how many could be underinsured?



To consider:

- Most SMEs have not spoken to their broker about the impact of Covid on their business.
- Now may be the time to get in touch to see how your customers' business has been impacted to provide the best advice to suit their business needs.

Have a look at the full infographic [HERE](#)

Reinsurance

- Vero successfully renewed its GI reinsurance programme on 30 June 2022.
- The reinsurance team is across 18 different treaties with the biggest being the property catastrophe treaty.
- The Suncorp Group increased its reinsurance limit to AUD\$6.8b – up from AUD\$6.5b. The change reflects the growth in the business and meets the RBNZ requirements.
- Macroeconomic volatility and changing loss trends are some of the key themes contributing to the reinsurance market entering a testing period.

Importance and outcomes of reinsurance:

- Sharing of risk
- Providing expertise
- Stabilisation of financial results
- Support meeting solvency requirements



Affordability

Increasing inflation costs and other economic factors continue to impact customers' affordability.

Our support to our customers experiencing financial hardship:

- **841 customers received financial support totalling \$555K** (50% Premium Waiver, 20% CEV, 17% SME /Business Waiver, 13% Excess Waiver)
- 405 customers benefitted from our **Brilliant in the Moments that Matter** initiative that recognises any customers feeling overwhelmed by their circumstances.



To consider

In today's current climate of increasing inflation and rising building/construction costs, customers should review their home's sum insured to ensure it is up-to-date and that they have the right cover in place. With Vero SumExtra benefit, customers could qualify for full replacement cover.

Spirit to Cure | SUNCORP

Curing cancer. Changing lives.

Diamond	Platinum	Gold	Silver	Bronze
\$20,000 1 Available	\$10,000 2 Available	\$5,000 8 Available	\$3,000 15 Available	\$1,000 Unlimited
Major sponsor of all three events	Key sponsor of all three events	Partner sponsor of all three events	Support sponsor of all three events	General sponsor of all three events

Get into the spirit and be part of the Suncorp New Zealand *Spirit to Cure* fundraiser initiative to find a cure for cancer.

We invite our key partners to get involved by taking up any of our sponsorship packages:

You can further support this cause by participating in any of the following three *Spirit to Cure* events:

AUCKLAND – 02 September
Eden Park Stadium (5000 steps)

CHRISTCHURCH – 30 September
Christchurch Adventure Park
(5.3km uphill walk)

WELLINGTON – 13 October
Sky Stadium (5000 steps)

\$200k
fundraising
goal

Join us in Curing Cancer and Saving Lives.
Proudly in partnership with Leukaemia and Blood Cancer NZ and Cancer Research Trust NZ.