Issue One | May 2009

MORE THAN

Draw a line between

value and price

Lumley

Welcome to the first issue of More Than – the Lumley newsletter especially for brokers. We'll be coming to you bi-monthly with the latest news from the insurance market, and offering some ideas that will help us all do better business together.

The economic downturn is what everyone is talking about. And while it holds some serious implications for our industry and certainly can't be ignored, the danger is that we become fixated on it at the expense of the positive things taking place within our businesses. For example, at Lumley we've been rapidly improving our business despite the current environment, investing heavily in our organisation by building capability, attracting new talent and creating a more robust business platform. We're focused on getting our insurance basics right, addressing our claims processes, building new technology and looking for new ways to help you drive better business.

We believe that in this climate we need to share ideas and information with each other – now more than ever.

In this issue of More Than we focus on offering customers more than just an insurance policy. More specifically we look at how we, as underwriters, can help you as a Broker to continue to offer value to your customers in tough times. I believe that by highlighting the total package offered we can shift the focus away from price and show the real value of insurance.

We are here to assist in any way we can. Our specialist knowledge is always readily available to you, whether it's in Liability, Marine, Construction & Engineering, Transport, Property or Personal Lines.

Working closely with your organisation is a big part of the future for us. I welcome your feedback and encourage you to raise any issues or concerns you might have about our business – feel free to email me at JLyon@lumley.co.nz

This year, more than ever, we need to demonstrate the true value we can offer our customers.

John Lyon
Chief Executive Officer

Look sharp
value not price

With a hardening insurance market and tough economic times, one of the biggest challenges facing our industry is how we can show the total value of insurance to customers.

More specifically, it's about working together to shift the focus away from price and to demonstrate with tangible, measurable benefits how insurance can be more than just a policy. And when price gets taken out of the equation we have the opportunity to talk to customers about value.

But what is value and how can we demonstrate this to customers? Lumley's transport offering is all about adding value to transport operator businesses. There are a number of measurable benefits and services we offer our customers that will help make it easier for you to show that price is only one of a number of factors worth considering when looking at transport insurance.

It's all about safety: "Risk management works, and with current cost pressures on the commercial transport business it can make the difference between surviving and not," says Jim Wiles, NZ Fleet Risk Manager. "We offer a comprehensive Fleet Risk Management service to all our transport customers, giving them the tools to effectively manage their fleets. Included in the Lumley service are fleet safety assessments with access to our Torque Data system, enabling the monitoring of vehicle fleet performance and crash data. Reported outcomes from initial users of the Torque Data system are that the tools have enabled them to review policies and procedures, reducing operational costs and claims incidents. Because of the nature of information that the system stores, users can analyse the type of crashes they're experiencing, when they're occurring and who's creating them.

Add to this accident risk management profiling, safety awareness seminars and driver recruitment and training programmes – and you've really got a lot more to offer customers."

All Lumley transport customers can access a suite of our Torque Fleet Risk Management services (depending on the size of their fleet), as part of their insurance package. *That's more than just insurance.*

Keeping an eye out: Another part of Lumley's Fleet Risk Management service and a value-add to all our transport customers, are our subsidised in-vehicle cameras. These are unique safety awareness tools which assist in reducing collisions caused by unsafe driving.

"The camera system records what's happening on the road as well as what the driver is doing inside the vehicle. The technology is programmed to automatically record all abnormal driving events, including hard braking and acceleration, unsafe cornering and crash incidents. This data is then used for driver training with the end result being improved safety, fewer crashes and reduced vehicle down-time. For operators this equates to better profits and lower premiums," says Lumley's Transport Centre of Expertise Manager, Ian Taylor.

Case studies prove that transport customers who utilise our Fleet Risk Management services experience measured improvements in fuel economy, claims costs, and driver safety.

Case study: A company with a fleet of 34 vehicles installed Lumley's in-vehicle cameras for a 12 month trial from April 2008 to April 2009. The average claim per year over the four years prior to the cameras was $14,599 per vehicle. In one year since the cameras were installed the average claim cost reduced to $2,436 per vehicle. This is a saving of $12,163 per vehicle, which across the whole fleet meant an annual saving of $413,545 – and that's without even taking into account savings in fuel, repairs, maintenance and the impact this has on lowering the company's premium! *Vehicle incidents have a direct impact on a company's profitability.*

Back on the road again: The third part of our added-value as a transport underwriter is our Crash Scene Assistance service. Check out the case study in this edition of 'More Than' to find out all about the benefits of this service for Lumley's heavy haulage customers. *That's offering more than truck insurance.*

Adding value is about demonstrating measurable benefits outside of a standard policy. It's about showing customers the total package available and weighing up all financial implications – not just price.

We understand that in these tough times taking the focus off price is going to be hard. But we believe that by drawing on our combined knowledge and examining the total offering available, we can make insurance less about the *dollar value* and more about *total value*.

Tear off here and share this with your customers

This article has been written for your customers. Feel free to tear off and pass this on to them.

More than truck insurance

A large, 12-tonne truck was travelling along on a narrow road in a remote part of the Coromandel forest. A car was eager to pass, and to make room the truck driver moved over to the far side of the left lane. The road edge suddenly subsided, crumbling under the wheels of the truck and tipping the vehicle and its large hydraulic crane down a steep bank.

While it was lucky that no one was seriously hurt in this accident in March 2009, it was still a business disruption for one of our customers, Northpower.

Typically in the event of an accident like this the fleet manager or owner would be called by an understandably shaken driver, and after a number of phone calls the truck would be towed to the closest repair yard. It would then take time to make repairs and advise the insurance company – all the while leaving the business owner without a truck on the road and a means to keep their business moving.

However in the case of the Northpower accident there was one significant difference. By having their truck insured with Lumley, they were able to utilise its Crash Scene Assistance (CSA) service.

As part of Lumley's network of towing services, Southern Districts Towing sent the Lumley Mack MH truck to recover the Northpower truck, and a CSA car went to the scene to assist with the recovery and to meet the Northpower team. The environment was checked for hazards and pollution, and the truck successfully towed to a recommended repair shop where the job could be done quickly and to a high standard.

Because Lumley were involved from the beginning, the parts needed to repair the truck were arranged quickly. And as a result of the end-to-end service the truck was back on the road much earlier than expected.

"The service was absolutely brilliant," says Dave Hayden, National Fleet and Facilities Manager for Northpower. **"Our guys out in the field were really appreciative of the service, especially in such a remote location, and said it was quick and painless. All it took was one or two phone calls and it was sorted. They were impressed by the professionalism of those involved, and the speed at which they got the job done."**

Because the Lumley CSA service includes a network of service providers, Dave believes it made a real difference to the speed at which he got his truck back. "Lumley had already called the panel beaters to the shop before I'd arrived, and we all met to assess the damage. They'd also managed to locate a new cab, and the repairs were underway before I'd even filed the claim."

Access to the Lumley CSA service is all part of the package when you have a heavy haulage policy with Lumley. It's all about getting your truck back on the road again – faster. Now, that's a whole lot more than just an insurance policy.

For more copies of this article visit www.lumleybroker.co.nz

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News comment

This is a regular piece that looks at a recent media article about the insurance industry.

"As insurance companies see a rise in burglary claims they believe is linked to the recession, more of their customers are discovering the limits of their contents insurance."

Sunday Star Times (SST), 22 February 2009

Recognising a link between the recession and an increase in insurance claims isn't a stretch for most. People get desperate to make a quick buck by stealing easy-to-move, high-value items, or take liberties with business assets to ease their personal financial strain.

While there isn't a lot you can do if your business is targeted by theft, you can make sure you have all your risks covered.

For many people theft and damages can be just the beginning of more significant issues that often have serious financial effects on a business. When it comes to claiming on insurance, businesses can experience real trouble if they have kept high levels of risk on their own books, or haven't checked their policies as to what is actually covered. It's not uncommon for these situations to compromise a business' cash flow, their ability to continue trading, and create a serious distraction for management in very demanding times.

And it's not just in the event of theft that these issues emerge. Property, Liability, Construction and Engineering are all areas that see a measurable spike in claims during an economic downturn – and the implication of under-insurance to 'save' a few dollars almost always carries severe legal and monetary consequences.

In the last month alone we have experienced a number of claims where underinsurance will have serious implications on the ongoing viability of a business.

Real example: The Insured was a tenant in a commercial building where a fire broke out in another part of the building, and the Insured's premises was affected by smoke and water. Their contents were insured for $20,000 and their stock for $15,000. However, the loss adjustor advised that the client was significantly underinsured, as the estimated value for the contents is $75,000 and stock at least $25,000. While the Insured fortunately also had Business Interruption insurance, again this was also underinsured with a Sum Insured of $75,000, whereas it would have been more accurately set at $150,000.

In these times, this sort of underinsured loss can have devastating effects on the ability to rebuild a business and ultimately a livelihood. It's important that anyone operating in the current business market ensures their insurance policies are correct, current and comprehensive.

Those that utilise the skills and expertise of a knowledgeable Broker are in safer hands, as the information a Broker brings to the table and their access to underwriters, cannot be underestimated. The SST article stated that customers' discovering unexpected limits to their insurance cover **"was less of an issue for policies sold through Brokers, who took the time to explain policies"**. A seasoned Broker ensures that any issues are discussed in depth, that the right cover is provided, and there are no surprises when a claim is made.

There are enough pressures out there affecting your business without adding to it with underinsurance. Make the most of your Broker's knowledge and expertise to ensure you have the right level of cover for the right risk.

Can you really afford to be without it?

In house

Building our capability – We have been focused on building our internal capabilities over the past year, employing new talent to ensure our sustainability as a business.

We have recently appointed a number of new roles in our branch network including several new Account Managers in Wellington, Hamilton and New Plymouth and our new Dunedin Branch Manager, Lynn King. We have also employed a team of experts in our Strategy, Compliance and Risk departments as part of our commitment to improving our commerciality, and to securing a strong and successful future for Lumley.

New member to Lumley Executive – Wendy Lau is the latest edition to the Lumley Executive Team. As a result of Lumley's renewed focus on Risk, Compliance and Strategic direction, Wendy has been promoted to the role of Strategy, Risk and Compliance Manager and to the Executive position.

Wendy joined Lumley in November 2008 and has a wealth of experience in both insurance governance and the risk and compliance sector.

your edge

Your Edge, 8 September 2009 – We are delighted to again be hosting the 'Your Edge' Liability Symposium in 2009.

Industry experts will discuss hot topics in liability insurance, and you'll be able to learn from the best to benefit your clients and your business. You'll earn six CPD points by coming along, and attendance is free.

More information will be coming soon, but in the mean time…mark your diary!

Improvements to claims efficiency – In early March Lumley introduced its new claims management system, Guidewire ClaimCenter.

Used by over 50 of the world's leading insurance organisations, Guidewire ClaimCenter will improve Lumley's overall efficiencies in home, contents, private motor vehicle and commercial motor vehicle claims.

You will begin to notice changes to our claims processes over the coming months as we continue to improve this critical area of our business.

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