

On many fronts, the scale of the Canterbury earthquakes has been enormous. In insurance terms it has been a significant world-wide event, intensified by the natural disasters that have occurred in Australia and the recent catastrophic events in Japan.

The increased pressure on insurers and reinsurers is considerable, and as a result we've had to change our approach to the underwriting of Material Damage and Business Interruption, as signalled in an earlier communication. The following outlines our initial set of changes.

Excess

All our Business Insurance and Corporate 'earthquake' excesses will become a percentage of Material Damage Site Value, applying to both Material Damage and Business Interruption losses. Our minimum approach will be:

Northland, Auckland	2.5% of site value/minimum \$2,500
Rest of New Zealand	5% of site value/minimum \$5,000
Pre-1935 risks not strengthened to current code	Double the above site values/minimums

Pricing

Earthquake prices will increase significantly and we have already advised you of a New Zealand minimum rate of .08%. Rates will go upwards from this rate based on the individual risk factors that will include region, age of building, height of building and construction. For those risks that include the more hazardous aspects of these risk factors and/or are currently benefiting from a lower than average earthquake rate, the premium increases will be proportionally much greater.

Our current approach to non-earthquake pricing continues, with premium increases required.

Underwriting

Capacity on some accounts, and perhaps some regions, is likely to become more restrictive. Receiving adequate and correct information (such as building age) will become a requirement to enable terms to be provided.

Schedules must attach to the policy, so "underwriting purposes only" schedules are no longer acceptable, nor is any blanket "anywhere in New Zealand" terminology on placing slips.

Timing

These changes are effective immediately for new business and renewals. We also reserve the right to amend any renewal offers not yet bound.

The situation continues to develop and it is inevitable that there will be further changes in our approach. We will update you as we have more information. In the meantime, please speak to your local Business Development Manager if you have any questions.