



TruckSure
By Trevor Toohill

Truck Insurers – And Then There Was One!

You can still buy competitively priced truck insurance in New Zealand – but for how long?

Currently insurance brokers have access to only two truly specialist transport insurers – Lumley General and Motor & General. Other insurers will argue that they compete in this market but I would suggest that they are not specialist insurers in the heavy motor field. NZI, QBE, Vero, and Zurich all transact business in this field with only NZI having some claim to market share and a desire to gain specialist status.

And that is what is really bothering me. IAG's intention for NZI to gain this status and increase market share lies in the acquisition by purchase of Lumley General Insurance. This is pretty scary stuff for the substantial number of trucking firms operating in New Zealand – both fleets and owner operators.

Why? Pretty simple, competition keeps a lid on excessive profit.

Insurance premiums and terms of cover are likely to be affected by the loss of such a significant player in the insurance industry as Lumley's are. By now some of you may well be asking what the hell am I on about. You may have missed the news releases so I will repeat some of the content:

"The Commerce Commission is still weighing up whether to allow the Australian insurer, IAG, to buy Lumley General Insurance, currently the country's third biggest insurance company, with a decision expected on 28th March 2014.

The deal requires approval from the Reserve Bank, Commerce Commission and Overseas Investment Office.

In New Zealand IAG already owns NZI, AMI and State Insurance. In December it announced a A\$1.845 billion deal to buy the underwriting businesses of Australia's Wesfarmers, which includes Lumley General Insurance in New Zealand.

The deal would increase IAG's share of the overall insurance market to about 50.5% from 41.5%, lift its share of the home and contents and vehicle insurance market to 66% from 60%, and give it 40% of New Zealand's intermediated insurance market."

Gary Young, chief executive of the Insurance Brokers Association of New Zealand (IBANZ), has agreed there were certainly misgivings among brokers that a major player would be lost. The market's not that big in New Zealand and there are not that many players, especially players like those two that cover the most common lines. His other concern was whether the market would lose the capacity to cover all the risks New Zealand has.

IAG maintain that the Lumley acquisition wouldn't result in a substantial lessening of competition. In its application to

the Commission it stated it would be constrained by existing competitors including Vero, Tower, QBE, FMG, Allianz, Zurich, AIG and Medical Assurance Society.

This may well be true if all those companies named by IAG in its submission were transacting identical lines of business – but they do not, and this certainly applies to transport and trucking.

The premium pool for this sector of trade is very substantial and certainly makes up a huge proportion of the Lumley premium income.

Now I have no desire to be alarmist and I personally have the greatest respect for Lumley General and in particular their outstanding team of people and their expertise. But there is a fair chance that we will see the loss of an iconic specialist company and with it a gap in competition.

I know plenty of TruckSure clients are going to be pretty unhappy with the prospect of having to lose this association and I am sure that may well apply to a lot of other truck operators as well. And don't forget the recent loss of NTI Insurance – an NZI offshoot now completely absorbed into the NZI business.

During the week I have had the chance to discuss this takeover with David Boyce and David Aitkin of the NZ Trucking Assn and National Road Carriers Assn. Both were aware of the proposed sale of Lumley and the incorporation of the business into the NZI machine. It seems that a wait and see stance is being taken by these representative organizations.

Can I suggest that it is timely to openly discuss the various outcomes and perhaps come to a conclusion that a submission to the Commerce Commission may be warranted? I strongly believe that a shrinking insurance market for trucking operators is not a good outcome. A good example has been experienced in Canada – a huge market compared to NZ but they are now down to just 3 specialist truck insurers and I can show you plenty of negative data on how this is affecting transport companies insurance options, terms and premiums.

I am probably going to get myself at odds with both Lumley and NZI by making these comments.

That is not my aim – my intention is purely to inform.

I respect these companies immensely and TruckSure has substantial business with them both, but that does not mean you just sit back and let something happen which you believe is to the detriment of the business you love – Trucking.

At the end of the day the transaction will be approved or declined and either way life will go on – we will adapt, but at least give it some thought and react accordingly. **TT**



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