



TruckSure
By Trevor Toohill

Well you gotta be a bit worried – or do you?

A couple of months back my article alerted readers to the fact that one of our iconic specialist truck insurance companies was about to be sold.

I encouraged anyone who thought that this might not be such a good idea to make a submission to the NZ Commerce Commission (NZCC) as we at MultiSure had done, along with a number of other entities. However, on May 6 Insurance Australia Group (IAG) was granted clearance to acquire Lumley General Insurance (NZ) Ltd.

The NZCC released its decision to grant approval after delaying it three times. It said it was satisfied the proposed acquisition “will not have, or would not be likely to have, the effect of substantially lessening competition, for personal and commercial insurance products.

“Lumley has a small presence in personal home, contents and motor vehicle insurance, where three main insurance providers (IAG, Vero, and Tower) will continue to operate in New Zealand in addition to a number of other companies providing general insurance products.

“While Lumley’s presence is larger in commercial insurance, as with personal insurance, a number of providers will continue to operate in New Zealand including Vero, QBE, Zurich, Allianz, AIG, ACE and others.”

Commerce Commission Chairman Mark Berry says IAG will still need to compete with other insurers on price and quality.

“By their nature all mergers create a larger company with a greater market share. However, that does not mean that a substantial lessening of competition in the market naturally follows. In this case the Commission is satisfied competition remains,” he said.

“We have considered submissions from a number of interested parties and we are confident that IAG’s purchase of Lumley will not materially change the provision of services or the ability of customers to shop around as other companies will be able to expand to replace Lumley’s position,” Berry said.

While celebrations will be in full swing at IAG now that this clearance has been achieved, others in the industry have expressed concerns on the effects the decision will have on the future of market competition and capacity.

Philip Toohill, general manager of MultiSure, said it was very difficult to rationalise the decision.

“The massive market imbalance that will now be created by allowing this transaction will have a major negative impact on competition in the domestic and commercial insurance markets.

“NZ is such a small pool when it comes to availability and choice and this purchase could now result in an adverse tipping point for consumers and insurance brokers alike.

“It is certainly doubtful that new entrants, banks and existing companies will be able to have a desirable outcome in respect to pricing, competition and services.”

He felt that from MultiSure’s perspective, with their concentration of heavy motor clients, it would have been better for those clients to have wider choice with Lumley General in the control of another insurer or investor other than IAG.

“Limited specialist heavy motor insurers in the market is of grave concern to us,” he reflected.

Adding philosophically, “It will be interesting to see how this will all pan out but regardless life goes on and we must adjust. Our congratulations and full support go to IAG.”

IBANZ CEO Gary Young also made comment in Insurance Business that he was concerned none of the competition and capacity issues that had been raised in their submissions to the commission appeared to have been addressed.

“Our members saw significant issues around the loss of competition and capacity to handle major risks,” he said. “They were also very concerned by the challenge to the future structure of the market in having a single company responsible for the protection of over half of New Zealand’s insurable assets.

So considering the above comments how is this all likely to affect transport operators – positively or negatively?

The key thing is that you can dwell on the fact that we are now down by one great leading truck insurer or you can get your broker to shake the trees and earn their commission by finding other willing insurers to step into the breach.

Life goes on and I know a number of clients are going to be very disappointed that their longstanding association with Lumley will come to an end, but one door closes and another opens.

NZI has given strong assurance that they want the acquisition to produce benefits for their shareholders. It will not want to destroy valuable client relationships.

Motor & General will also be poised to step in and increase their capacity along with Vero and QBE.

So for the time being we lose a significant specialist but let’s just see who pops out of the woodwork and steps in to these pretty big shoes.

Feel like talking about this? A TruckSure broker can listen. www.trucksure.co.nz



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