

Welcome to the latest newsletter from the Allied Insurance Group. We are a co-operative of 24 independently owned insurance brokers operating throughout New Zealand. Because of our combined strength we are able to secure for our clients competitive terms and conditions.

We now have a new Government, the USA a new President, and in both countries it seems it was change that the voters wanted. In New Zealand both small and large businesses face some tough times, with many factors that will influence their performance. Hopefully we will see some positive measures from the National led coalition to assist business.

For the insurance industry we are anxious to see progress in opening the Workers Account within ACC to competition, as this can provide real benefits to not only employers, but also employees.

We trust you will find this newsletter interesting and if you have any comments your Broker would be pleased to hear these from you.

#### **PRIVATISATION OF ACC?**

The National Party in its policy release prior to the election confirms it will "investigate" opening the state-controlled Accident Compensation Corporation (ACC) Work Account to competition.

National also says it will conduct a full review of the ACC scheme because action is needed to reverse the comparatively high workplace accident rate. The then party leader and now Prime Minister John Key says the party "supports the introduction of competition and choice to the ACC Work Account".

Insurance Council of New Zealand chief

Chris Ryan says competition could improve rehabilitation time and gives employers more incentives to improve safety practices.

The Allied Insurance Group also welcomes any move to open the Work Account to competition, which will give our clients a choice, where premium cost and claim procedures including rehabilitation can be assessed from a number of providers.

ACC workplace cover was privatised by the National Government in 1998, but it was re-nationalised when Labour came into power in 1999.

#### **INSIDE ARTICLES**

**Allied Group Secures National Association**

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**Demolition Costs**

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**Believe it Or Not!**

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**Three Steps to Effectively Marketing Your Business in a Depressed Economy**

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**Risk Management of Exports**

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**Ever Wonder**



## ALLIED GROUP SECURES NATIONAL ASSOCIATION

The Allied Group and its 24 members were delighted to recently be appointed as the Broker to a National Association. This appointment is for the Association itself as well as the 2,500 small to large businesses that belong to it. The Allied Group were competing against a number of other Brokers, but it was our ability to be innovative and have the representation throughout New Zealand to service all their members wherever their location, that helped secure the appointment.

Allied Group CEO Bruce Oughton, said that while a lot of business can be handled through modern technology, business owners still wanted to meet with and discuss their insurance requirements with the Broker face to face, and because of our extensive National representation this is where Allied had an edge over its competitors.

## DEMOLITION COSTS

The costs for the damaged property demolition and site clean up that is required before rebuilding work can start are covered under the property insurance policy.

Normally an itemized provision is included in the insurance policy schedule. It is important that the demolition provision is accurate both for building and contents otherwise under-insurance could be the result. If demolition costs end up being higher than originally allowed for, there may not be adequate insurance to cover the replacement of the building and stock.

The professional valuer that is undertaking an insurance valuation will nominate a demolition provision for the building. Both the insured and the insurer would expect that the valuer has taken into account the cost of debris disposal. Many Council and private landfills no longer allow the dumping of certain hazardous types of material such as asbestos roofing, which is so common on many 1960's commercial premises, in their ordinary landfill sites. These types of hazardous materials need to go to licensed tips where permits need to be issued. The disposal of this type of material is significantly more costly than ordinary waste.

The Tamahere Ice Pack fire in April 2008 highlighted the real costs of debris removal for building contents. The damaged stock removal and disposal from the coolstore site far exceeded that for demolition of the building. As local Councils become fussier with what is allowed to be placed in their landfills, dumping costs are likely to rise. In some parts of the world some organic wastes are not allowed to be dumped into refuse tips, they need to be reprocessed.

The food industry is presenting insurance valuers with some unique challenges when it comes to the valuation of demolition costs.

The Insurance Council's advice to building owners is to review property insurance valuations at least every two years and question your valuer on their demolition cost calculations.

Demolition costs provisions, if not calculated correctly, could leave a building owner significantly under-insured.

*Article courtesy of the Insurance Council of New Zealand Inc.*



## Believe It Or Not!

A cockroach will live nine days without its head, before it starves to death.

A crocodile cannot stick its tongue out.

A snail can sleep for three years.

All Polar bears are left-handed.

American Airlines saved \$40,000 in 1987 by eliminating one olive from each salad served in first-class.

Americans on average eat 18 acres of pizza every day.

Babies are born without knee caps. They don't appear until the child reaches 2 to 6 years of age.

Banging your head against a wall uses 150 calories an hour.

## Three Steps to Effectively Marketing Your Business in a Depressed Economy

I am sure you are all quite sick of hearing about the recession, depression, tightening of the market or any other term used to describe a slump in the market.

Regardless of what it is called, however bad it is or however much it is exaggerated by the media, the truth of the matter is that your business needs to make money.

To effectively market your business in a depressed economy there are THREE steps you need to take.

### STEP ONE:

Know your Technicoloured Coat. Your Technicoloured Coat is what makes your business stand out. It could be an area you specialise in, your location, range, brand, experience, price, guarantee or packaging of products or services. Your product group or service can only have ONE Technicoloured Coat to focus on, so make it a strong one.

### STEP TWO:

Know your Target Market. This may sound easy, but in a depressed economy your target market will shrink as fewer people are in a position to buy. You need to precisely identify who is purchasing your type of product or service. I have identified six groups of consumers who are still spending in a tight market.

In a depressed market people still purchase, either because 1. they HAVE to, with a product of necessity or 2. because they are not willing to do without that product or service.

There are also some groups of people who 3. will carry on behaving as they always have, maybe because they have enough money that they are not affected by a tighter market or 4. they are ignorant of the situation until they find themselves in trouble.

Some people are 5. very calculated about their spend at this time and often need convincing of the merits of a product or service much more than they regularly would. Others will 6. only spend small amounts that seem to fly under the radar of having spent anything at all.

Once you know which groups you are targeting you can tailor your marketing to reach them.

### STEP THREE:

Knowing the Size of Your Pond. If you are trying to reach your Target Market to tell them about your Technicoloured Coat, then you need to use media that is reaching them and only them. There is no use going on National TV if your Pond is your local community.

Understand which media reach your Target Market best in a depressed economy and don't waste money by going outside of your Pond.

If these three steps are followed it is nearly impossible to waste money on advertising and you will maximise your chances of making money despite a tightened market.

This process is covered in much greater detail in my new ebook "How to Market Your Small Business to Make Money in a Depressed Economy" at [www.adconomy.co.nz](http://www.adconomy.co.nz)

*Article written by Nicky Bowden at [www.adconomy.co.nz](http://www.adconomy.co.nz)*



## RISK MANAGEMENT OF EXPORTS

Making an export sale can be difficult enough but you still have to organise delivery and ensure you are paid. Selling “ex-works” isn’t usually a practical option for exports but selling “free on board” may look attractive with the exporter only required to deliver the goods to the vessel. However, selling FOB leaves the exporter with less control, less commercial flexibility and greater risk exposure.

To manage risk effectively, you have to be in a position to control it. For exporters, this means retaining control of the transport chain and the cargo insurance arrangements. Much of Australia’s commodity exports have traditionally been sold FOB but astute exporters are increasingly selling on cost, insurance and freight (CIF) terms.

With FOB sales, the buyer controls shipping and it may well suit him to delay sending a vessel to collect the goods. This can leave the exporter with extra costs, delayed payment or even an aborted sale. But selling CIF obliges the buyer to accept delivery at a port in his country or risk incurring demurrage and/or storage charges. The exporter is far better off with goods piling up at buyer’s expense overseas rather than at his own expense while awaiting shipment.

Under CIF sales, warehouse to warehouse protection is achieved as the cargo insurance covers the insurable interest of the exporter until risk in the goods passes to the buyer from when it covers the buyer’s interest. This is provided the insurance has been assigned by the exporter usually by stamping and signing the reverse of the insurance policy or certificate. To be effective, it is essential this be done before risk in the goods passes to the buyer i.e. before loading onto the vessel or aircraft –the legal rule being you can’t assign something you no longer have.

*Article courtesy of Associated Marine Insurers Agents Pty Ltd, part of the Zurich Financial Services group.*

On the other hand, if the exporter fails to include cargo insurance in his sales terms and elects to sell on cost and freight (C&F or CFR) terms, he faces extra exposure and extra insurance costs. This is because the cargo insurance arranged by the buyer will only protect his interest and not that of the exporter. Whilst the buyer’s cargo insurance may appear to cover the goods from warehouse to warehouse, in fact cover only attaches at the point the buyer’s risk, and thus his insurable interest, attaches under the sales contract. As noted, this is usually from loading on board the vessel or aircraft.

With all FOB and C&F sales, the exporter is exposed to cargo loss or damage risks from warehouse to loading on board and needs to arrange cargo insurance on an annual basis to cover these risks. Also, in case for any reason the risk in the goods fails to pass to the buyer, the exporter needs seller’s contingency insurance for all FOB and C&F sales to ensure he isn’t exposed uninsured to any unplanned risk of cargo loss or damage in transit.

By selling CIF, the exporter avoids the need for and the cost of these separate cargo insurances designed to protect his interest only. Instead, the cost of insuring both his and the buyer’s exposure can be charged to the buyer in the CIF price. As the cost of insurance doesn’t need to be separately invoiced, the exporter also has greater flexibility in setting CIF prices.

Given the variety and complexity of transport and marine insurance law and practice, it is important for the exporter to carefully select a marine cargo insurer with the requisite knowledge and expertise plus a high reputation for efficient and caring claims handling.

## EVER WONDER

Never, under any circumstances, take a sleeping pill and a laxative on the same night.

If you had to identify, in one word, the reason why the human race has not achieved, and never will achieve, its full potential, that word would be “meetings.”

People who want to share their religious views with you almost never want you to share yours with them.

Never lick a steak knife.

The most destructive force in the universe is gossip.

There comes a time when you should stop expecting other people to make a big deal about your birthday. That time is age eleven.

The one thing that unites all human beings, regardless of age, gender, religion, economic status or ethnic background, is that, deep down inside, we ALL believe that we are above-average drivers.

Thought for the day: Never be afraid to try something new. Remember that a lone amateur built the Ark. A large group of professionals built the Titanic.