

Catherine Best

To: Jeff Hamilton
Subject: RE: IAG/Lumley

From: []
Sent: Friday, 21 February 2014 12:32 p.m.
To: Registrar
Subject: IAG/Lumley

Two large multinational Insurance Brokers, AON (CPF facility) and MARSH (Marsh Advantage) have entered into agreements with a consortium of insurers to provide co-insured facilities to their clients.

The Insurers who are party to this are NZI (lead), Vero, and Allianz.

The rates provided to this facility are often more competitive than any other broker including independent brokers, can access. This, in part, is because the agreements allow the two brokers to place business in these facilities without the risks having to undergo the close scrutiny that conventionally placed risks have to endure.

When a competing broker secures an authority to provide insurance quotations to a client insured by either of these two schemes, none of the 3 insurers that co-write this facility will provide terms to that broker. This is because of the convention that sees the holding insurer reserve terms to the holding broker. Perfectly acceptable when there is one insurer involved but if the business is insured by one of these placement facilities, there are 3 insurers that will 'reserve' and thus not offer terms.

This has virtually closed off half the insurance market to brokers seeking terms for a client insured with either AON or Marsh. The only viable alternatives previously for an approach have been Lumley, QBE, or AIG.

If the proposed merger of IAG/Lumley were to proceed, that would then remove Lumley from the mix thus closing virtually two thirds of the insurance market to any other broker seeking to compete.

This would effectively rule out any chance of any other broker finding competing terms at all for SME clients. Both QBE and IAG are reluctant to quote SMEs whereas Lumley were always happy to provide terms for these.

In my view, only the lead underwriter to a co-insurance facility should have the right to deny quotes to competing brokers. The others should offer terms as they normally would to any authorised broker seeking quotes. For them not to do so is surely anti-competitive in the extreme.

If the proposed merger of IAG/Lumley is allowed to proceed without new protocols being agreed over providing quotes to other brokers, this will result in severe restrictions in the insurance market.

[].

[].

[]
[],
[],
[].

The information contained in this e-mail may be legally privileged and
CONFIDENTIAL. If you are not the intended recipient you are hereby
notified that any use, dissemination, distribution or reproduction of
this message is prohibited.
If you have received this message in error, please delete the message
and notify the sender. Any views or opinions presented are solely
those of the author and are not those of the Commerce Commission.
#####