



BUILDING AND MAINTAINING
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8th March 2010

Mr Kevin Doherty
National Manager Professional Services
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Dear Kevin

NZTA Proposal for Principal Arranged Contract Insurance

Thank you for the opportunity to comment on your proposal to arrange Contractor All Risk and Public Liability Insurance.

Roading New Zealand has sought feedback from its members on this proposal and while some serious concerns have been raised about the proposal there is a view that it could have merit for the collective good of the Industry.

While most of our members would not be interested in taking advantage of such a scheme at present, we believe that further discussion should take place in attempt to alleviate concerns.

In summary key concerns are:

- The track record of Principal Arranged Insurance in New Zealand is not good and our members do not have confidence that the scheme would protect them adequately. They do, however have confidence in their own Insurers' arrangements.
- Restoring contractor confidence is problematic because of
 - insurance companies' track record in not paying out on previous contractor claims for Principal Arranged Insurance.

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- increased administration burden to lodge and recover claims.
 - the strong likelihood of NZTA Regional Offices changing Insurance Policy Conditions associated with individual contractors to the detriment of the contractor. This is similar to the changes often made to SOMAC and other special conditions of contract, despite previous agreement by the contracting industry with NZTA's National Office.
- Claims are always an area of potential conflict because the insurer acting for the Principal often treats the other insured parties as second class and as though the policy doesn't really belong to them. Considerable administration input is required to counter this.
 - Contractors need to arrange these types of insurances for other clients and so the incremental cost of their insurance for NZTA is low. If contractors took advantage of NZTA arranged insurance, costs for other insurance (such as plant/machinery) may rise due to the removal of discounts.
 - Agreeing appropriate "Excesses" could be difficult because different companies have the ability to absorb different risk scenarios.

We note that Ian Gray of Transit NZ tried unsuccessfully to introduce such Principals Arranged Insurance five years ago.

We trust you find this feedback helpful and a good basis for further discussion.

Yours sincerely



Chris Olsen
Chief Executive