

VPIS Chairman's Report

I'd like to start by thanking our members for your continued support this year.

In last year's report I noted that the veterinary profession was continuing to evolve. While that remains true, this year has been our turn. Supporting the veterinary profession remains central to everything we do. However, as we prepare to lose our small insurer status in the next 2-3 years, it is imperative that we have the necessary infrastructure to support our transition and subsequent sustainability for our members. This has led to a review of our policy limits, a shift towards risk-based pricing, the implementation of a new insurance management platform, strengthening of VPIS's legal support base and the employment of VPIS's own dedicated resources. That's an awful lot to tackle in one year, and we acknowledge that doing so has at times been disruptive for members.



Gavin Shepherd, VPIS Board Chairperson

In terms of claims experience, the number of claims rose again this year. Liability claim costs tend to materialise over two years and while last year's claim costs are now our highest on record, current indications are that this year's claim costs will be more in line with previous years. The spread of claims remains consistent, with close to half of this year's claims involving Companion Animals (44%), followed by Bovine (25%) and Equine (19%). Of note, while Equine claims normally account for around 20% of all claim costs, this year they accounted for 49% of all claim costs.

The number of Veterinary Council (VCNZ) complaints was less than half of last year's total, dropping from 23 to 11, and the two judicial hearings from 2018 concluded satisfactorily. Technician claims were consistent with the previous two years. Several claims related to teat sealant, however most of these did not involve a breach of duty, so the policy did not respond. We however provided legal support in negotiations with other parties, including farmers, suppliers and manufacturers, and continue to work with the New Zealand Veterinary Association (NZVA) to ensure risks in this area are effectively mitigated, where possible. We also removed the excesses applicable to Veterinary Council complaints to support early notification.

Our long-standing relationship with our reinsurer, Vero Liability, has largely shielded members from the impacts of general market conditions and premium increases over the years. Our increasing loss ratio in recent years has however put pressure on this. As a result, this year we experienced increased reinsurance costs which we've needed to share with members through premium increases. Alongside this we increased our minimum cover and excesses and spread increases based on claims experience.

A consequence of premium increases is that total premium income collected was higher than forecast, bringing forward the timeframe for breaching the small insurer threshold of \$1.5m from four years to 2-3 years.

Alongside premium changes we've made a significant investment in a new insurance management platform to support members with their insurance applications and policy management. We know the platform undoubtedly caused some initial challenges for members at renewal time. Fortunately, these have largely been resolved and benefits are starting to be realised.

While we still ended the year strong, with a profit for the year of \$210,595, our investment in our new insurance management platform impacted our equity and solvency positions because the cost of intangible assets such as these can't be offset as an asset. Our equity position dropped from \$2.804m to \$2.66m and solvency ratio dropped from 396% to 376%. Despite this, actuarial calculations indicate that we will reach the required solvency capital of \$3m before we lose our small insurer exemptions, unless there is a significant downturn in investment returns.

Our appointed actuary, Christine Ormrod of PwC, has been invaluable in supporting us to meet our societal and regulatory obligations while remaining focused on our long-term sustainability as an insurer. Our brokers, Crombie Lockwood, have continued to support us and our members in the management of our policy placement and pricing requirements. They've also been instrumental in supporting the development and implementation of our new insurance management platform. Our legal team, of Mahony Horner Lawyers and Darroch Forrest Lawyers, have continued to provide crucial support to us and our members throughout the year, and we are pleased that Morgan Coakle have joined our panel of lawyers.

Our new chief executive (and old executive officer) is leading the multiple streams of change, supported by Trish Thorpe and Richard Anderson, and more recently VPIS's new CFO Margaret Carter. While we have continued to receive strong support through our service level agreement with the NZVA, this partnership is evolving as we prepare to lose our small insurer status.

VPIS's Board of Directors has remained unchanged as they continue to perform their governance duties alongside their roles as Assessors and mentors. This year Dr Tanya Page and I retired by rotation and we have each offered ourselves for re-election. The other Directors are Dr Paul Fraser (Equine), Dr Brendon Bell (Equine), Dr Mark Gilmour (Production Animal) and Dr Steve Cranefield (Dairy) and Jim Rhynd (ARVP farmer representative). Dr Vince Peterson continues to provide invaluable support to the Board through secondment.

As we end an extraordinary year of change, we once again thank you for your continued support and look forward to sharing the benefits with you in the coming year.



Gavin Shepherd

VPIS Board Chair