

6. INSURANCE RENEWAL PROGRAMME

Officer responsible Director of Operations	Author Murray Sinclair, DDI 371-1852
--	--

The purpose of this report is to advise the Council of the insurance renewal programme for the 2001/02 financial year and to seek authority for the Director of Operations to arrange the placement of the Council's insurance policies.

The Council's insurance policies were renewed on 30 June 2001 for the forthcoming financial year. Details of the renewals are shown in the table below (figures are exclusive of GST). These renewals are set against a generally rising insurance cost market, a reduction in the number of insurance companies and increases in the fire service levies.

Policy	2000/01 Premium	2001/02 Premium	Insurer
Material Damage *	\$794,063	\$957,990	Civic Assurance
Business Interruption *	\$15,544	\$15,862	Civic Assurance
Motor Vehicle *	\$56,000	\$61,960	Civic Assurance
Fidelity Guarantee *	\$7,500	\$10,000	Civic Assurance
Personal Accident	\$1,260	\$1,985	Civic Assurance
Overseas Travel *	\$3,000	\$2,800	Royal Sun & Alliance
Combined Liabilities	\$191,315	\$199,050	RiskPool
Forest and Rural Fires	\$2,500	\$2,500	Civic Assurance
Machinery Breakdown	\$5,600	\$5,094	Civic Assurance
Machinery Breakdown Business Interruption	(New from 1 July 2001)	\$2,142	Civic Assurance
Punitive/Exemplary Damages	\$2,550	\$2,550	QBE Insurance
Total Premiums	\$1,079,332	\$1,261,933	

* Denotes policies that include City Care Ltd.

COMMENTS ON POLICY COVERAGE

Material Damage

The material damage policy covers physical loss or damage to property belonging to the insured or for which the insured has assumed responsibility prior to any damage. The policy is subject to an excess of \$1,000. This policy was subject to an 18% increase in the fire service levy (i.e. an increase of \$47,143). The total sum insured for 2001/02 is \$858,506,757 compared with \$801,202,983 for the previous year.

Business Interruption

The business interruption policy covers loss consequential upon interruption to the business as result of damage to property insured under the material damage policy.

Motor Vehicle

The motor vehicle policy indemnifies the insured against loss or damage to any motor vehicle and indemnifies the insured from third party liability arising out of or in connection with the use of any insured vehicle. The policy is subject to an excess of \$5,000.

Fidelity Guarantee

The fidelity guarantee policy indemnifies the insured for loss of money or other property through fraudulent or dishonest acts committed by any of the insured's employees. The policy is subject to an excess of \$1,000.

Personal Accident

The personal accident policy provides cover for death by accident and serious accidental injury for elected members and senior executives. The policy is not subject to any excess. The purpose of policy is to offset any costs the Council would incur in the event of having to hold a by-election or for the temporary employment of a senior executive. The Council adopted guidelines for use of insurance proceeds from this policy in July 1999.

Overseas Travel

The Overseas Travel policy covers employees and elected members (including accompanying family) whilst overseas on Council business (and including any associated pleasure travel) – costs associated with accompanying family members and associated pleasure travel are recovered. The policy is subject to excesses of \$50 with the exception of baggage, which has an excess of \$100.

Combined Liabilities (Professional Indemnity and Public Liability)

The combine liability policy comprises professional indemnity cover (breach of professional duty arising out of any negligent act, error or omission) and public liability cover (damage to third party property as a result of Council activities). The professional indemnity section is subject to an excess of \$10,000 and the public liability section subject to an excess of \$2,000.

Forest & Rural Fires

The forest and rural fires policy indemnifies the insured for costs and expenses incurred by the insured in its capacity as a Rural Fire Authority that are not recovered from the National Rural Fire Fighting Fund. The policy excess has increased from \$1,000 to \$5,000 effective from 1 July 2001. Since 1 July 1995 to 30 June 2001 the Council has paid \$14,810 in premiums with claims amounting to \$49,345, hence the increase in the excess.

Machinery Breakdown

The machinery breakdown policy covers selected essential plant against damage from internal causes, the actual breaking, seizing, or deformation of machinery parts. The policy is subject to an excess of \$1,000 an increase from \$250 for 2000/01.

Machinery Breakdown Consequential Loss

The machinery breakdown business interruption policy covers loss of profits and increased costs working resulting from the breakdown of machinery insured under the policy. This is a new policy taken out to specifically cover the likely increased cost of operating at the pools should any of the heat exchange systems fail, as was experienced during the previous financial year.

Punitive/Exemplary Damages

The punitive/exemplary damages policy indemnifies the insured against claims for punitive or exemplary damages made by a person who has suffered a personal injury resulting from an event in connection with the business of the insured. The sum insured is \$250,000 any one occurrence and \$1,000,000 in aggregate any one year. The policy is subject to an excess of \$50,000. However, exemplary damage claims up to \$50,000 can be made under the Council's combined liability policy.

Delegated Authority for Renewal of Insurances

In October 1996 the Council delegated authority to the Director of Finance to enter into arrangements for the placement of all the Council's insurance policies not exceeding \$1.2 million per annum, subject to the exercise of such delegated power being reported back to the Council in each case. The Director of Finance is a current director on the Boards of both Civic Assurance (formerly known as NZ Local Govt Insurance Corporation) and RiskPool. In discussion with the Director of Finance it is recommended that the delegated authority to enter into arrangements for the placement of the Council's insurance policies should be transferred to the Director of Operations. Furthermore, with the cost of insurances increasing it would be an opportune time to increase the delegation from \$1.2 million to \$1.75 million.

The Committee requested the Director of Operations to report back to its September meeting on the Council's accident compensation costs.

Recommendation: That authority be delegated to the Director of Operations to enter into arrangements for the placement of all the Council's insurance policies not exceeding \$1.75 million per annum, subject to the exercise of such delegated power being reported back to the Council in each case.