

4. INSURANCE RENEWALS FOR 2004/2005

Officer responsible Director Strategic Investment	Author Murray Sinclair, DDI 941-8852
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The purpose of this report is to inform the Council on the renewal of the Council's insurance programme for the 2004/05 financial year. The Chief Executive and Director Strategic Investment have jointly been granted delegated authority to enter into arrangements for the placement of all the Council's insurance policies, subject to the exercise of such delegated power being reported back to the Council in each case.

The Council's insurance consultant is Jardine Lloyd Thompson and Council officers have accepted the recommendation of the consultant in each insurance category. The consultants have advised that, in view of the very large Council insurance portfolio, there is only one insurer in New Zealand who has the capacity to place 100% of the Council's material damage cover. The New Zealand insurance market has reduced considerably in recent years owing to the amalgamation and withdrawals of major insurance companies. In the major categories Civic Assurance and RiskPool have been awarded the business. This is a justification for the facility offered by Civic Assurance and RiskPool which is owned by New Zealand Councils and this Council is one of the largest shareholders.

The table below shows the 2004/05 premiums with comparisons against the premiums paid in 2003/04 and the budget provision for 2004/05.

Policy	2003/04 Premium	2004/05 Premium	2004/05 Budget
Material Damage	\$1,900,364.00	\$2,235,566.38	\$1,991,221
Business Interruption	\$28,152.00	\$28,356.00	\$30,263
Combined Liabilities	\$285,000.00	\$316,350.00	\$309,869
Motor Vehicle	\$95,358.00	\$99,703.00	\$102,509
Fidelity Guarantee	\$25,000.00	\$30,000.00	\$26,875
Fine Arts	\$25,481.82	\$26,097.75	\$23,182
Personal Accident	\$2,401.85	\$2,161.69	\$2,251
Overseas Travel	\$6,600.00	\$6,600.00	\$7095
Forest and Rural Fires	\$3,600.00	\$6,600.00	\$3,870
Rural Fire Force Personal Accident	\$1,377.50	\$1,450.00	\$1,481
Marine Hull	\$1,585.90	\$1,690.50	\$1,705
Machinery Breakdown	\$10,055.00	\$10,055.00	\$10,809
Machinery Breakdown Consequential Loss	\$3,546.00	\$3,546.00	\$3,812
Punitive/Exemplary Damages	\$3,250.00	\$2,800.00	\$3,665
Total Premiums	\$2,391,772.07	\$2,770,976.32	\$2,518,607

Directors & Officers Insurance

Christchurch City Holdings Ltd	\$7,450.00	\$7,450.00	
Jade Stadium Ltd	\$6,250.00	\$6,250.00	
Christchurch City Facilities Ltd	\$4,100.00	\$4,100.00	
Total Premiums	\$17,800.00	\$17,800.00	

Material Damage

The sum insured (i.e. value of assets insured) under this cover has increased from \$1,123,767,258 in 2003/04 to \$1,321,544,973. This represents a 17.6% increase and is the sole reason for the increased cost for material damage cover. The premium payable has increased by 17.6%, the same percentage as the increase in the sum insured. With a buoyant building sector, building costs have risen markedly over the past 12 months and this is reflected in the annual revaluation figures for buildings insured under this insurance policy. Civic Assurance, the Council's material damage insurer, has held its insurance rates at the same level as for 2003/04. A deductible (excess) of \$5,000 has been imposed by the insurer effective from 30 June 2004 – the deductible was previously \$2,500.

Combined Liabilities (Public Liability and Professional Indemnity)

The combined liabilities premium has increased by 11.0% compared with the premium paid for 2003/04. RiskPool (the Council's liability insurer) has advised that they have endeavoured to keep increases to a minimum despite global reinsurance markets continuing to command premium increases this year.

Forest and Rural Fires

This insurance policy covers fire suppression costs that are not met by the National Rural Fire Authority. The National Rural Fire Authority will not meet fire suppression costs where a fire in a rural area has originated in a commercial plantation e.g. in areas such as Bottle Lake Plantation and Chaney's Plantation. Effective from 30 June 2004, the sums insured were increased from \$500,000 to \$1 million for any one event and from \$1 million to \$2 million in any one year. The decision to increase the sums insured was made at the request of the Council's Principal Rural Fire Officer having reviewed the fire suppression costs relating to the fires throughout Canterbury last summer.

Chair's

Recommendation: That the information be received.