

## 7. INSURANCE COVER

<b>General Manager responsible:</b>	General Manager Corporate Services, DDI 941-8540
<b>Officer responsible:</b>	Corporate Finance Manager
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### PURPOSE OF REPORT

1. The purpose of this report is to advise the Audit and Risk Management Subcommittee of the intended approach to this year's reinsurance programme.

### EXECUTIVE SUMMARY

2. The Council's insurance portfolio is due for renewal at 30 June. It is proposed to seek quotes for the Council's property assets on a first loss basis. This is a method of insuring for fire for assets and business interruption, which has particular application when there is a wide spread of risk and assets are spread over a large geographic area. Although the Council's assets total around \$1.7 billion, the top value for an individual building and contents is less than \$100 million. Engineering reports demonstrate that the maximum probable loss is around 30% of the combined value. In order to provide the Council with the confidence that the sums insured are adequate to protect ratepayers' assets and Councillors' and staffs' fiduciary duty it is intended that the fire cover be for \$150 million.
3. The Council last considered, and rejected, first loss cover in 2003 but under that proposal the first loss cover extended to fire, earthquake and tsunami. Damage caused by earthquake and tsunami is less localised and for that reason we are intending to restrict the cover to fire only. Should there be wide-spread fire damage as the result of an earthquake the Council is covered under its earthquake cover.
4. Under this approach the Council will buy three policies:
  - Fire Policy \$150 million, any one fire and in the annual aggregate,
  - Material Damage Policy, \$1.7 billion replacement value covering all other perils but excluding fire,
  - Business Interruption policy covering all perils.
5. The advantage of this approach is an increased market contestability leading to lower premiums. We have been advised that in the past only one insurer, Civic Insurance, was large enough to provide the required cover. Reducing the policy sum introduces competition.
6. On the basis of initial estimates received we anticipate savings of around \$1.1 million; \$520,357 from a reduced premium and \$651,724 from savings in fire service levies. This is on the basis of the Council's and CCFL's combined asset holding. The savings will be greater if we include Jade Stadium, and discussions to this effect are underway with VBase management.
7. All other policies will remain unchanged, (other than for value). At this stage it is not intended to alter any excess levels.

### FINANCIAL AND LEGAL CONSIDERATIONS

8. There are no legal implications. Estimated savings to the group are in excess of \$1.1m.

### STAFF RECOMMENDATION

It is recommended that the report be received.