

Report to:	FINANCE, AUDIT & RISK COMMITTEE – PUBLIC EXCLUDED
Date:	24 October 2023
Subject:	MATERIAL DAMAGE INSURANCE RENEWAL
Prepared by:	S Poulsen - Finance Manager
Input sought from:	P Kearney - Senior Manager Corporate Services
Authorised by:	W Doughty - Chief Executive

1. PURPOSE

The purpose of this report is to provide the Finance, Audit and Risk Committee the opportunity to make recommendations for the removal of (or inclusion of) certain assets from the material damage insurance schedule, and to endorse the schedule for renewal due 30 November 2023.

Attachment A: 2023 Draft Material Damage Schedule

2. RECOMMENDATION

It is recommended that:

- a) This report be received.
- b) The Finance, Audit & Risk Committee either:
 - i. Endorse the schedule of property insured for renewal, or
 - ii. Modifies the schedule and records the modifications by resolution.
- c) The Finance, Audit & Risk Committee authorise the Chief Executive Officer to determine the release of this public excluded report.

3. SUMMARY

3.1 Assets to be insured

The attached schedule shows all assets proposed to be insured for material damage. Assets removed from the schedule include the former Council offices at 34 Esplanade, now demolished.

The shaded columns show the insured values for each asset. The columns to the right then show the cost of the premiums for each asset.

Please note these prices are from the 2022 renewal, and the actual premium cost is likely to be higher than those shown.

3.1.1 Harbour assets

One of the co-insurers insisted upon valuations for insurance purposes to be provided for all harbour assets. Those valuations have resulted in a significant increase in the value of these assets. The nature of some of these assets is solid concrete on top of compacted rock seawall, etc, and these are the same assets that were undamaged in the 7.8 magnitude earthquake of November 2016.

At Wakatu Quay, currently the Council is only insuring the North Wharf itself (the item on the bottom line of the schedule), however the valuation for insurance purposes includes the seawall and concrete barrier with a total sum to insure value of \$redacted, and premiums expected to exceed \$redacted for that asset line alone.

Similar assets exist at South Bay, with the combined premiums for the concrete seawalls and rock protection work in excess of \$redacted. The schedule of assets also includes the tender jetty and associated fuelling area, having assumed at the time that the tender jetty is owned by the Council. This is now unlikely to remain on the Council's schedule of assets.

Given the cost of insuring these assets, the FAR committee may wish to remove some of these assets from the schedule.

In relation to Wakatu Quay, we have the following comments:

- The insurers report included an asset referred to as the main parking area, consisting of compact gravel road, with a reinstatement value of \$redacted. This has not been included in the schedule of property insured, because it is by nature only a gravel road area.
- The North Wharf is used regularly by one commercial fisher. The type of event that would cause damage to the concrete seawall and rock protection would be so significant that his commercial operation would also – in all probability – cease to exist.
- Conversely, development at Wakatu Quay is proposed, and cover may be difficult to obtain if the seawall is removed from the schedule for 2023 but attempts made to put it back on the schedule once the build is ready to commence.

3.2 Budget constraints

The budget for insurance was increased by 27% from \$435,648 last year, to \$553,975 for this year's 2023/2024 Annual Plan. The actual cost of insurance premiums is now expected to exceed the budget amount due to the combined impact of inflationary pressures plus the significant increase in the value of assets insured.

The budget is likely to be exceeded by at least \$66k (including LAPP insurance). This is conservative given that the schedule of premiums in the attached is based on 2022 pricing.

4. FINANCIAL IMPLICATIONS AND RISKS

Insurance is one of the primary tools to mitigate the risk of asset ownership. The cost of premiums should be weighed against the potential losses that could be incurred in an event.

5. COMMUNITY OUTCOMES SUPPORTED

The work is in support of all community outcomes.



Community

We communicate, engage and inform our community



Development

We promote and support the development of our economy



Services

Our services and infrastructure are cost effective, efficient and fit-for-purpose



Environment

We value and protect our environment



Future

We work with our community and our partners to create a better place for future generations

6. SIGNIFICANCE OF DECISION

This report is for information only and so it is not considered significant in terms of Council's Significance and Engagement Policy.

7. RELEVANT LEGISLATION

The Local Government Act 2002 states that a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region.

8. COMMUNITY VIEWS

No community views were sought in relation to this report.