

# Auckland Council Group Insurance Policy

## 1. Purpose

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The purpose of this policy is to ensure the council group procures and manages insurance in the most effective manner with consistency of policies, coverage, claims management and insurers across the group.

## 2. Scope

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This policy applies to all insurance activity undertaken by, or on behalf of, Auckland Council. It also applies to the Auckland Council group including all the Council Controlled Organisations (CCOs) with the exception of Ports of Auckland Limited.

## 3. Non-compliance

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Failure to comply with the principles of this policy amounts to a breach of accountability requirements under the CCO Accountability Policy.

## 4. Context

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The Auckland Council group is a significant purchaser of insurance products as it seeks to effectively manage a diverse variety of property, liability and other risks. We have an obligation to effectively manage our risks within our risk appetite and deliver value for money.

A group approach to insurance will:

- deliver policies which are less expensive than individual insurance policies;
- ensure consistency of policy terms, insurers and insurance broker; and
- ensure consistency of approach when managing claims.
- protect the group balance sheet and credit rating.

It is also recognised that individual entities within the council group will have different risk appetites and different insurance requirements. In developing a group approach it is important that these differences are recognised and encompassed within the insurance arrangements to the satisfaction of individual CCO boards as well as the Council Governing Body.

## 5. Principles

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This policy will be achieved under the direction of the following principles:

**Principle 1:** Effectively managing risk

**Principle 2:** Value for money



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**Principle 3: Working together**

**Principle 4: Consistency in approach**

## 6. Policy

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### 6.1 Broker

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The council group will have one insurance broker who will be selected in accordance with the group's procurement protocols.

### 6.2 Group Policies

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Group policies will be put in place where appropriate and will most likely include (but not limited to) Property (above and below ground), Professional Indemnity and Public Liability, Employees Liability, and Statutory Liability.

Premiums for group policies will be allocated to council entities on an equitable basis using advice / methodology from the broker. The allocation will be transparent, take into account any legal requirements and will be designed to ensure there is no cross subsidisation between entities. Policy dependant, allocation will generally be based on asset values, revenue or employee numbers and may be adjusted where appropriate to take into account materially different risk profiles related to entity's operations and environment.

### 6.3 Insurer Security

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The council group will only place insurance with those insurers with a claims paying rating of A- or higher (unless Lloyds of London claims paying rating is lower in which case the minimum rating will be that of Lloyds of London).

### 6.4 Placement Considerations

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Generally the council group will only place insurance with the external insurance market where the **assessment of risk exceeds council's risk appetite**; and/or there is a contractual or legal requirement to hold insurance and/or the cost of the insurance is clearly less than the expected benefits (including the consideration of administration costs).

When placing insurance policies the group will give consideration to premium, policy coverage, insurance market diversification and individual insurer diversification.

It is recognised that in certain situations individual CCO's may have the need for specific additional insurance policies that are not required by other members of the council group. These will be placed by the council insurance broker.

## 6.5 Insurance Deductibles and Limits

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CCO's will approve their respective limits, deductibles and related share of the overall insurance programme costs. Overall group limits and group deductibles will be determined after consideration of the council group's assessment of the risk, the council group's risk appetite and the council group's balance sheet capacity. The Finance & Performance Committee will have ultimate responsibility for approving group's limits and group deductibles.

There is an aspiration to move to standard group deductibles for all policies over time, however, individual CCO's may have a lower risk appetite than the Council group. In the event that a CCO's risk appetite (i.e. preferred insurance deductible level) is lower than the group's then:

1. Options for required sub-limits under relevant policies will be assessed.
2. Current loss histories will be reviewed to inform consideration of cost versus potential exposure.
3. Where cost effective deductible sub-limits are not practical, council parent will fund the difference or provide other solutions to address CCO's individual risk appetites. These arrangements will be clearly documented.

Council parent will fund any losses which exceed group policy limits.

CCO's should ensure cover limits set and related deductibles are such that they would meet their requirements as if they were insuring on a stand- alone commercial basis.

## 6.6 Claims management (including below deductible claims)

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Council and CCO's will develop common claims management and settlement protocols for both above deductible claims and below deductible claims to ensure consistency of approach across the group.

## 6.7 Approvals and Group Collaboration

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Representatives from council parent and each CCO will meet on a regular basis to determine and implement insurance arrangements in accordance with this policy. Any significant changes to the insurance programme will be discussed in an open, transparent and timely manner.

Approvals will also be sought, as appropriate, from the Audit and Risk Committee and respective CCO Boards. The annual group insurance programme will ultimately be approved by the Finance and Performance Committee.

## 7. Monitoring and reporting

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This policy covers all elements of the Auckland Council and CCO insurance programme.

Success of this policy will be gauged by:

- Effective management of insurable risk on a group basis
- Improved group insurance reputation from insurers and brokers
- Improvements in cost, value for money and quality of insurance cover procured

The policy will be reviewed every three years or as otherwise required.



## 8. Policy exemptions

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Any exceptions to this policy require prior documented approval from the Group Chief Financial Officer.

## 9. Related Policies, procedures and guidance

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- Auckland Council and CCO Procurement guidance and templates
- Auckland Council and CCO Risk Management Policies

## Version control

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Version no:	0.1
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Owner:	John Bishop – Treasurer and General Manager Financial Transactions
Revision history:	

Version no:	0.2
Status:	Draft for CCO Board approval
Owner:	John Bishop – Treasurer and General Manager Financial Transactions
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*Approved. D. M. M. 31/7/17.*