

Asset
Protection
For
Churches,
Schools,
Social Services,
Taonga,
Vicarages



"AIB wording continues to be the best in the market with covers that are not offered by competitors"

Anglican Insurance Board

Material Damage and Business
Interruption Insurance



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Important Note: Within this document is information which is the property of the AIB Board and which is commercially sensitive, private and of value to the Board and its members. Please do not disclose or otherwise publish information contained in this document without prior written consent from AIB.

Major Policy Features

- ✓ **Clients can insure for replacement value, including disaster cover, regardless of age or construction of buildings, or the level of NBS at normal premium rates.**
- ✓ **Disaster deductibles are nil in respect of all residential property. The commercial operations of the business may also be able to have a nil deductible, subject to individual assessment. Disaster deductibles on commercial property are otherwise 2.5% of site value (capped to \$150,000 per site), except Wellington and Christchurch where the deductible is 5% of site value (capped to \$200,000 per site). The capping of deductibles to these amounts can potentially save high value sites millions of dollars.**
- ✓ **The programme includes costs required by a regulatory authority to upgrade damaged property for increased seismic strength, without additional cost. Without this benefit, you may have to find considerable amounts to pay for upgrade costs before repairs can be completed.**
- ✓ **The programme does not have any heritage restrictions on the restoration of any heritage property. Repairs to heritage property can easily be significantly more than normal repair costs.**

Other Significant Features

Replacement, indemnity or functional replacement value options. Functional replacement value provides for replacement cover but for a building which can functionally replace the existing building, generally of a smaller size.

Constructive total loss means undamaged buildings are covered for rebuilding on another site along with damaged buildings, if reinstatement on the existing site is prohibited by a regulatory authority

Insurance will apply for non-disaster perils such as fire, flood, and cyclone for up to 110% of your sum insured as an added protection against unintended underinsurance

Earthquake cover is available regardless of age or location of buildings at standard rates for those regions

AIB settles most claims with members themselves, therefore prompt claims service

Business Interruption is excess fee

Loss of revenue is insured

Additional costs of maintaining your organisations business are insured

Temporary residential accommodation costs to declared values

Retirement village operators can insure the capital repayments that are required to be paid to residents under Retirement Villages Code of Practice 2008

Retirement Village Operators can insure the loss of fixed deductions following the repayment of resident's capital sums

Retirement Villages are covered for resident's improvements to property as defined under Section 38 of Retirement Villages Act 2003, as well of the interest of the Statutory Supervisor

Capital additions and extensions to your property are automatically insured when completed

Contract works cover is provided

Employee's personal effects (not otherwise insured)

The property of others in care is insured.

Lost or stolen keys

Landslip and subsidence damage to buildings and contents

Hidden gradual damage in residential property from internal water systems

Machinery breakdown

Demolition cover

Temporary repairs

Cover for monuments and works of Art

Money insurance

Refrigerated Goods

Resident's effects (not otherwise insured)

Theft covers in addition to burglary (breaking and entry)

Cover for goods in transit including clergy household affects

Prevention of access cover

Ability to reinstate equivalent buildings on alternative sites for alternative purpose.

Underground services, infrastructure, landscaping and fences where declared values are provided

Claims preparation costs

Some of these features are insured to pre agreed limits with the insurers. Please refer to your policy for a full description of cover.

Obtaining Superior cover

Since the Christchurch earthquakes, insurers not only significantly increased premiums, but imposed much more restrictive terms of cover.

Examples of this included:

- High deductibles for disaster losses.
- Insurance no longer provides for additional seismic strengthening costs associated with reconstruction.
- Additional costs associated with repairing / restoring heritage buildings have been removed. Many insurers now only cover cost associated with using modern equivalent materials and labour.
- Restrictive cover for older buildings

Collective Insurance Bargaining

AIB is the cornerstone member of the AllChurches Bureau which was established in 1999. Members are the Anglican Church, Baptist Union New Zealand, Methodist Church New Zealand, Elim Church, ACTS (was Apostolic), Lutheran, Congregational, Assemblies of God, Christian Churches NZ and Presbyterian Church New Zealand. The Catholic Church is also included in some discussions.

The AllChurches Bureau members meet formally throughout the year to discuss areas of common interest such as investments, charitable status issues, insurance, risk management, compliance, agree policy and be a common voice to government.

Only organisations who are members of the AllChurches group are eligible to participate in the AllChurches collective insurance programme.

A key area of collaboration is in the area of insurance.

In order to maintain effective insurance many of the AllChurches members joined forces to purchase a collective insurance programme. The purpose was to achieve:

- Superior cover compared to what members could buy individually
- Competitive premiums
- Strategic partnerships with insurers that would endure in times of difficulty

AllChurches Insurance Bureau members purchase insurance for assets in excess of \$3 billion in value. Supporting insurers have an A+ claims paying rating from Standard and Poor's. Even in difficult market conditions, this buying power creates considerable leverage with insurers. AllChurches have entered into strategic alliances with insurers. This establishes stability in addition to a favourable negotiation position. These partnerships bring a mutual commitment, and recognise the value the relationship brings to both AllChurches and the insurers.

This insurer alliance means that the AllChurches programme has been able to significantly reduce the impact of price fluctuations, and avoid many cover restrictions that may otherwise apply.

AllChurches have created strategic partnerships with insurers. The current and future benefits of the programme relies on solidarity and commitment by AllChurches members to the insurers, and equally insurers to the collective by continuing to provide market leading cover at competitive premiums. AllChurches believes that this approach provides greater long term certainty in adverse times should disaster risk be realised.

Membership requires a belief that overtime, the buying group of \$3 billion in assets will outperform the leverage of any one individual organisation when buying insurance. AllChurches approach is firstly to ensure they have market leading cover, and secondly the most competitive prices that can be reasonably obtained.

Cover and Competitive Premiums

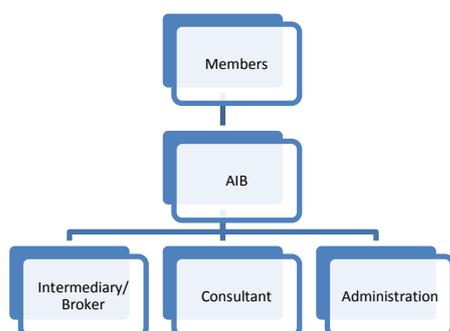
The AIB Retirement Villages and Care Organisations programme endeavours to obtain the right balance between cover and cost. The lessons learnt from the Christchurch earthquakes clearly identifies the major concerns expressed by individuals and business alike, was the quality of the cover they had in place at the time of loss. In some cases multiple losses.

Since the commencement of the programme, enhancements in cover have been negotiated year on year. Complementary to broadening of cover, have been premium rate reductions.

To further leverage the ability to provide cover and competitive premiums AIB self retains a large amount of risk, this minimises claims against insurers and therefore assists in negotiating competitive premiums at each renewal of the programme.

Services

In addition to negotiating favourable insurance terms and conditions, AIB utilises the collective in realising the benefits of economies of scale in provision of the services to manage the insurances. As a result the cost of these services is borne by the entire AIB programme rather than individually.



New Services

As part of the continued focus on improvement of provision of services to members that are both cost effective and beneficial in bringing the cost of insurances down, over the course of the coming year we are developing a web based, real time, database for members, intermediaries and insurers use.

A significant portion of the cost of insurance is the cost of administration. We consider that a central database that can be used by all will primarily alleviate the cost of replication and lead to further cost savings.

It is envisaged that this database will be used by all members of AllChurches creating a central reservoir of information that can be used to mitigate risk and negotiate further premium savings.

Appendices

Appendix 1 shows examples of database screens currently under development.

Appendix 2 outlines the work and schedule that AIB undertakes with intermediaries on policy development and pricing. Also outlined is the nature of on-going administration throughout the year.

Appendix 3 is an example of a common cover level/ claim comparison.

Appendix 1

AKChurches WebForm Details.pdf - Adobe Reader

City/Whf/Clho : AIB/AK/A0001 Client Name : Anglican Church
 Cou/Wht/SubCov : 0024335/600/30 Copy Eff Date (DDMM/yyyy) : 02/12/2014 Exp Date : 31/12/2014 Ren Date : 31/12/2014
 Sub Code : MD81 Finish Description : AllChurches Material Damage & Business Interruption

Policy Details Residential Risk Details* Limits & Underwrites

The Insured Anglican Church (Governing Body) Group Code : DEPT: Client : ENG

Insured *
 Nature of Business *
 Policy Wording : AllChurches MD&BI Policy Wording Version & Date : 2013
 Policy Number : F00000235206V

Comments
 COMMENTS: Client
 COMMENTS: Internal
 COMMENTS: Insurer
 COMMENTS: Claims

Total Annual Premium
 PREM: Company
 PREM: CEQ
 PREM: FS
 PREM: EQ
 PREM: Total Excl Taxes : 0.00
 PREM: COT : 0.00
 PREM: Total Excl Taxes : 0.00

Back Update Remove Cancel Next

AKChurches WebForm Details.pdf - Adobe Reader

City/Whf/Clho : AIB/AK/A0001 Client Name : Mary Annetage
 Cou/Wht/SubCov : 0024335/600/30 Copy Eff Date (DDMM/yyyy) : 02/12/2014 Exp Date : 31/12/2014 Ren Date : 31/12/2014
 Sub Code : MD81 Finish Description : AllChurches Material Damage & Business Interruption

Policy Details Residential Risk Details* Limits & Underwrites

Show Summary of Items Item No: 1 ADDED

Details of Property Insured
 Location : Type of Cover : Cover Type :
 Reathome * :
 Risk Situation
 Risk Description * : Suburb : Town/City * :
 Street Address * : Credit Zone * : Credit Zone Details :
 Postcode :

Property Details
 Asset Type * : Mortgage : Heritage :
 Year Built : No Units * : Floor Area (EQM) :
 Storeys : Property Report Type : Date of Valuation :
 NAT DIS: Cover * : CONSTRUCTION: Walls : SYSTEM: Security :
 NAT DIS: Seismic Strengthen : CONSTRUCTION: Floors : SYSTEM: Smoke Detectors :
 NAT DIS: EQ Frame : CONSTRUCTION: Foundations : SYSTEM: Sprinklers :
 CONSTRUCTION: Roof :

SUMS INSURED: Residential Buildings
 Replacement Value : Fixed Sum Insured : BLDG: EQ Cap :
 Inflation Value : DLDG: EQ Tripup :
 Lienholden Value :
 BUILDINGS: Total RV : 1,125,000

SUMS INSURED: Residential Contents
 EQC Cap :
 Sum Insured : TOTAL: Levies : 0
 EQ Tripup : TOTAL: BLDG & CTS : 1,130,000 TOTAL: Natural Disaster KI : 0

SUMS INSURED: Business Interruption
 Loss of Sales : 10,000 Indemnity Period : 12 TOTAL: Material Damage KI : 1,160,000

Rates & Premium Calculations
 RATE: Reathome MD : RATE: Reathome EQC Tripup : RATE: Reathome ND :
 RATE: All Other MD : RATE: Domestic EQC Tripup : RATE: All Other ND :
 RATE: BUL : RATE: FS :
 RATE: EQC : RATE: EQC :
 RATE: EQC : RATE: EQC :
 RATE: EQC : RATE: EQC :

Back Update Remove Cancel Next

AIB with Intermediary

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Stage 1 – Building Understanding												
Collate internal and external risk data, potential risk scenarios									✓	✓		
Confirm Risk Tolerance									✓	✓		
Conduct Business Interruption Review									✓	✓		
Stage 2 – Test Findings												
Measure Insurance Coverage against Identified Risks									✓	✓		
Consider new offerings									✓	✓		
Identify coverage gaps and measure 'fitness for purpose'									✓	✓		
Stage 3 – Design Options												
Design Risk Transfer Programme Options										✓		
Provision of benchmarking data										✓		
Identify Key Markets									✓	✓		
Renewal meeting to provide market update, consider emerging markets and create insurer shortlist									✓	✓		
Agree Implementation Strategy									✓	✓		
Conduct formal renewal strategy meeting including negotiation strategy, information requirements, market access points, presentations to market, insurer sensitivities										✓		
Stage 4 – Execute Plans												
Collect Underwriting Data										✓		
Forward renewal questionnaires										✓		
Gather historical loss data										✓		
Gather responses to renewal questionnaires									✓	✓		
Formalise Underwriting Submission										✓	✓	
Prepare Quotation Slips based on agreed options										✓	✓	
Finalise policy coverage specifications											✓	✓
Finalise policy coverage specifications									✓	✓		

AIB Administration

General Administration including Ongoing Analysis and Advice

Confirmation of Insurance to interested parties (certificates)

Issue of policy and invoices. Collect premium

Obtain, check and forward policies and endorsements from insurers

If requested - Contract and lease reviews - analysis of contractual liabilities and provision of advice on applicable insurance issues

Property acquisitions/ divestments - assistance on insurance policy coverage and premium adjustments

Insurance coverage interpretation and liaison with insurers as necessary

Responding to general miscellaneous enquiries from all parties

Policy endorsements - preparation and issue

Advice on insurance market conditions and trends (including new insurance products) and insurance regulatory changes including changes to govt levies, taxes, fees

Issue client newsletters and corporate publications

Continue development and maintenance of on-line Insurance manuals

In accordance with any advice from our intermediary; Insurer security - notification to Members regarding insurers which no longer meet Global Market Information Group minimum financial guidelines.

Claims Administration

Regular claims management
Including loss control measures and advisory's

✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓

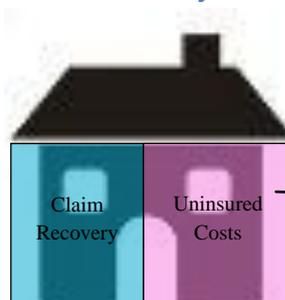
Appendix 3

The example below graphically depicts the claims outcome of a building loss not insured in the AIB programme compared with a members cover. Both policies are insured for replacement value.

AIB Policy



Alternative Policy



- Seismic upgrade
- Heritage costs
- High deductible impact

Loss Scenario

- The site value \$40,000,000 (site in Wellington or Christchurch)
- Disaster damage \$10,000,000 sustained
- Buildings damaged 1960 era with some heritage features (cost for seismic improvement \$1,000,000 required for building consents and heritage extra cost \$250,000)

TOTAL COST OF DAMAGE

Damage to building(s)	\$10,000,000
Seismic upgrade	\$1,000,000
Heritage Restoration	\$250,000
	\$11,250,000

TYPICAL POLICY RECOVERY

Total Damage		\$11,250,000
Less		
- Disaster Deductible 5% of site value (\$40,000,000)	\$2,000,000	
- Seismic upgrade cost excluded	\$1,000,000	
- Extra heritage cost excluded	\$250,000	
Total Deductions	\$3,250,000	\$3,250,000
	Claim Settlement	\$8,000,000

AIB POLICY RECOVERY

Total Damage		\$11,250,000
- *Disaster Insurance Deductible	No deduction	
- Seismic upgrade cost insured for damaged property	no deduction	
- Additional costs associated with maintaining heritage features insured	no deduction	
Total Deductibles	NII	NII
	Claim Settlement	\$11,250,000

*A deductible of up to \$200,000 may be deducted for disaster insurance on any commercial property but not residential property

*EQC conditions apply to residential property.