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## Anglican Insurance Board

15<sup>th</sup> April 2009

Circular to Members of AIB

### Renewal of the Assets and Business Interruption Insurance

We were given several options by Ansvar for the renewal as at the 1<sup>st</sup> April last:

1. Status quo – meaning no changes in cover or excess levels – would mean that, despite our excellent claims to premium experience over the last 10 years of approximately 38%, a 5% increase in all premiums.

Ansvar, in defence of this stance, say that they cannot sustain the current premium levels as they are lower than their cost of reinsurance and that the cost of reinsurance has increased as another example of the effect of the losses caused by the world recession and in particular in the worlds equity markets .

So – just to emphasise this – no change at all means a premium rates increase of 5% which would then be applied to any increase in sum insured.

2. Increase the level of general excess for loss or damage claims – excluding caused by earthquake which stays unchanged – from the current level to \$1,000.

If this were taken up then Ansvar offered to not apply the 5% increase to the non earthquake premium. This rate reduction would only, of course, be applicable to members who have a lower than \$1,000 excess at present and it would have to be then equitably shared.

3. AIB to act on behalf of all members and self insure the first \$250,000 per annum of all loss or damage claims – excluding caused by earthquake – in excess of members excess levels and subject to no claim accruing to the \$250,000 in excess of \$50,000.

In other words:

the insurance from Ansvar would be for:

- All claims costs that are for more than \$250,000 in the year .
- All claims costs that are for more than \$50,000 per event.

the group self insurance would be for:

- All claims costs that are made by members in excess of the members current excess until a total of claims cost is reached during the year of \$250,000 with the exclusion of the amount of any claim in excess of \$50,000 per claim..

always excluding claims caused by earthquake

In return for this self insurance Ansvar offer a discount from the renewal premium for the non earthquake premium and its 5% increased cost of \$213,000 and an across the board rating system for the loss or damage excluding earthquake cover

4. Although obviously illogical Ansvar say that options 2 and 3 cannot both apply and they justify this by saying that the price they are prepared to give for the self insurance approach in 3 is their “rock bottom.”

The Board deliberated the options and included in it's considerations:

- That if the self insurance scheme above had applied to non earthquake claims then:
- The average cost of over the last 9 years would have been \$128,835.
- The average cost over the last 5 years would have been \$145,955.
- On only one year out of 9 would the total claims be than \$250,000.
- The lowest cost in one year would have been \$54,908.
- That the majority claims costs have not reached the proposed \$250,000 level and if this self insurance scheme had begun 9 years ago then AIB and its members would now have a capital of over \$900,000.
- If members are not charged any increase in the non earthquake premium rate then the amount collected will be enough to fund almost all of the potential \$250,000 claims liability with, we expect, any shortfall coming from AIB's other retained funds.
- That it would cause the least disturbance to members insurances if we could maintain their existing excess levels.

So, as it is the AIB objective to keep insurance costs down as low as we can commensurate with best security, the Board has decided to adopt the self insurance option.

### Claims

The main change that has to happen is that all claims that are caused by non earthquake risks to assets – not vehicles - will in future be handled and paid by AIB - until the accumulated total cost during the year to 1<sup>st</sup> April 2010 from everyone is more than \$250,000.

So that the change is as easy as possible we are arranging a web site that will have the same claim forms that you have used with Ansvar in both Word and pdf format so that you can either print out and fill in long hand and fax or you can fill in on line and send as an email attachment.

The web site should be up and running be next week but the address will be [www.aib.org.nz](http://www.aib.org.nz).

Meantime until we have settled down the claims system please send claims to [kghales@xtra.co.nz](mailto:kghales@xtra.co.nz) with a copy to [aib@acpb.org.nz](mailto:aib@acpb.org.nz) - we will aim to give you a 24 hour claim authorisation/turn around.

### Invoices

These will be sent out next week and please could you make prompt payment as, of course, if we don't have your contributions we will not have the funds to pay claims.