



# PROPERTY ASSETS INSURANCE COVERAGE POLICY

Policy Number	C31	Directorate	Corporate Services
Agenda Item No.	6.7	Department	Risk and Procurement
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## POLICY OBJECTIVE

It is important that all Council's assets are appropriately covered by insurance. Maintaining accurate and up to date records on its property assets and related values assists in achieving this objective.

Providing building and contents insurance coverage for community properties not owned or managed by Council allows community groups who own or operate such properties, access to appropriate insurance coverage that otherwise might have been unobtainable and/or too expensive to secure directly.

The purpose of this policy is to provide guidance in relation to determining:

1. The method of ensuring all appropriate properties have been insured for building and/or contents purposes;
2. The method of valuing property assets for insurance purposes;
3. Which property assets will attract a premium recovery from relevant community groups and which premiums are to be incurred as a direct Council cost; and
4. The amount to be recovered, if determined, from relevant community groups.

## POLICY STATEMENT

Council will provide adequate land, building and contents insurance coverage, including public liability insurance, for all its owned or managed properties. At the same time Council will provide insurance coverage, excluding public liability which is to be separately acquired by the community group, to community property assets not owned or managed by Council on the basis of full cost recovery and provided Council's insurer is willing to accept such coverage.

## Guidelines

1. Ensuring all relevant properties and property assets are covered by insurance:
  - a. Biennial review to be undertaken between representatives from the Finance, Valuation, Property and Risk Management teams to ensure all appropriate Council owned or managed properties and property assets have been included on the insurance list;
  - b. The inclusion of other properties and property assets on the insurance list will occur from time to time, usually as a result of a public enquiry as opposed to proactive actions by Council; and
  - c. This biennial review will also ensure the accuracy of property descriptions, addresses and contact details is maintained.



2. Valuing properties and property assets:
  - a. A replacement insurance valuation will be undertaken bi-annually and prior to completion of the insurance list for the coming financial year. Representatives from the Finance, Property, Risk Management and Valuation teams are to be included in this process;
  - b. Community groups using Council owned or managed properties, should ensure that their contents, housed within the Council owned or managed property, is adequately insured, either directly, or through Council's insurance policy by agreement with Council's Risk Management team; and
  - c. Community groups will be responsible for advising Council's Risk Management team of the levels of insurance coverage they require.
  
3. Properties which attract a recovery of insurance premiums from community groups:
  - a. Building insurance costs on properties owned or managed by Council will be met fully by Council;
  - b. Contents insurance costs on properties owned or managed by Council may or may not be recovered, depending on who owns the contents:
    - i. If Council (or Section 86 Committee) owns the contents then Council incurs the contents insurance premium costs; and
    - ii. If a third party owns the contents and Council has agreed to cover the contents, then contents insurance costs are recoverable from the third party.
  - c. Building and contents insurance costs relating to other property assets that Council has agreed to cover are fully recoverable from the relevant community group by Council.
    - i. Council will not cover any additional claim costs for a community group that suffers loss as a result of being under insured.
    - ii. Council may refuse to continue to cover community groups that fail to pay their annual invoice.

The following table can be used to determine liability for payment of premiums and claims excess:

Property Type	Building Insurance Payment Responsibility	Contents Insurance Payment Responsibility
<b>Council owned:</b> - Council used - 3rd party used	Council Council	Council User group
<b>Council managed (but not owned):</b> - Council used - 3rd party used	Council Council	Council User group
<b>Other properties:</b>	Owner/user	Owner/user



- a. Community groups who operate properties which come under Council's insurance coverage, are to be responsible for the minimisation of damage to or theft of property assets so that liability is kept to a minimum. They are also required to report any loss/damage immediately. Audits of properties will be carried out by Council staff and/or Council's Insurance Agents from time to time; and
  - b. Community Groups will be liable to pay any excess required to process an insurance claim in relation to relevant building or contents damage/loss.
4. Calculation of premium payment amount to be recovered from a community group by Council:
- a. The amount to be recovered from each community group will be based on a proportional value basis i.e. the Council's total premium will be divided by the total value of assets being insured to arrive at an insurance rate per dollar of value. This rate will then be applied to the other property asset values to calculate a base amount recoverable from each group; and
  - b. Invoices will be distributed by Council to participating community groups by the end of the premium (relevant financial) year. All invoices distributed by Council will include the values upon which the premiums have been charged and information relating to making claims. This will allow the community groups to regularly review the level of insurance they require and gain value from their insurance coverage.
5. From time to time a community group that is currently not part of an arrangement covered by this policy may wish to be included. In order to be considered the Community Group must be:
- a. Able to establish it cannot obtain suitable insurance coverage at a reasonable price; and
  - b. A not-for-profit organisation; and
  - c. An incorporated body; and
  - d. The group must be a community, sporting or other group determined as appropriate by Council's Risk Management team.

In addition:

- The other property assets insured must be Community or Government owned (not privately owned);
- Premium and excess payments are to be recovered from the community group by Council as per 3 and 4 above.

## **RISK ASSESSMENT**

This policy aims to address the risk of Council suffering significant financial loss, through ensuring the provision of adequate insurance for property and property assets it owns or directly manages. By implementing the guidelines outlined in this policy, Council will reduce the likelihood and consequence of any uncovered or covered losses. This in turn minimises negative financial, service and rates impacts on Council and the community.

This policy also aims to address the risk of community groups suffering loss as a result of not being able to obtain or afford adequate insurance coverage for property assets, through Council obtaining insurance on their behalf. The risk of financial loss to Council in providing this coverage is managed by recovering all additional costs from the groups.



## IMPLEMENTATION STATEMENT

Council will implement this policy by:

- Publishing this policy on its website;
- Informing relevant staff of this policy; and
- Providing education, communication and support to community groups as required.

## LEGISLATIVE PROVISIONS

Local Government Act 1989:

- Section 76A: Council must take out insurance cover.
- Section 136: Principles of sound financial management.

These sections ensure that a Council protects its resources by providing adequate insurance cover over those assets owned and managed by Council and provides assistance to the community.

## DEFINITIONS

**Property Asset** - Building or significant construction or the contents contained within but not fixed to the building or significant construction.

**Community Property** - Any property that allows public access and which has a prime purpose of enhancing public well-being. Such properties may or may not be owned or managed by Council.

**Building** - A construction that allows the convenient access for people and which basically has 'four walls and a roof'.

**Significant Construction** - A construction not meant for human habitat but which, due to its size or cost, should be covered for insurance purposes (e.g. scoreboard or major fencing).

**Council Owned Properties** - Those properties that Council holds freehold title to.

**Council Managed Properties** - Those properties that Council does not own but which it has a legal responsibility for (usually through a delegation from a State authority/department) to manage, operate etc.).

**Other Property Assets** – Property assets which are not owned or managed by Council that is considered to be situated on a community property.

**Replacement Insurance** – This is an assessment of an insurable sum under replacement and reinstatement conditions. This would normally include, estimated current construction cost, provision for cost escalation during period of insurance and rebuilding process, allowances for demolition and clean up, and professional fees.