

# Insurance renewal (Property)

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## Background

The cost of insurance cover has escalated in recent years and is a major cost for the parish:

	Total Premium incl GST
2020	\$28,905
2021	\$29,320
2022	\$49,816
2023	\$58,905
2024 estimated	\$65,000

Our insurance cover has been based on a comprehensive all risk property cover at total replacement and covers the buildings at East Taieri (Manse, Church, The Hub), Fairfield (Church, Sunday School rooms) and Ocean View. It also includes contents and liability.

The insurance replacement value has been based on a valuation undertaken by the Synod of Otago and Southland in 2022. This has been adjusted for inflation.

We cannot afford to continue to insure for full reinstatement of all our buildings.

Our preference in the long term would be property self-insurance, ideally with the National Church or Synod of Otago and Southland. This is not an option and parishes are only able to select these options :

- 1. Reinstatement (or Total Replacement) provides cover for repairs or replacement of the building as new (and includes the cost of demolition)***
- 2. Functional Replacement (or Agreed Value) provides cover for a lower value than Total Reinstatement on the basis that any replacement building will cost less due to size or choice of materials (and includes the cost of demolition)***

***Unfortunately, Functional Replacement only offers a premium saving of up to 10% versus the cost of Reinstatement and is not recommended.***

- 3. Indemnity provides cover to put the congregation in the same position it was in before any loss, allowing for the depreciation of the building. Indemnity offers a saving of up to 50%, depending on the age of the building.***
- 4. Demolition only - provides cover for demolition and site clearance only.***

The greater the insurance coverage, the more expensive the policy.

## Recommendation

The elders are recommending a hybrid policy to limit the risk and provide a lower cost annual premium.

We expect insurance premiums will continue to increase so are suggesting the risk is reviewed annually and that we set aside a portion of the premium savings each year for self-insurance purposes. This provides the parish with the ability to fund partial damage not covered. The portion allocated will be determined in the context of our 2024/25 Budget to 30 June 2025.

The National Church has suggested that a prudent and pragmatic approach to insuring our buildings is to refocus our insurance premium on mission critical buildings and to carry some of the insurance risk ourselves.

It is possible to select different cover options for **Perils** (damage from fire, storms, floods and other risks) and **Natural Disaster** (damage arising from earthquakes, tsunamis and volcano's). Note that the perils cover cannot be lower than the natural disaster.

The hybrid matrix and the basis of our consideration of risk are set out below and have been based on the 2024 premium.

Property	Insured Value 2024	Full Premium 2024	Cover	Insurable Value	Estimated Premium Savings	Basis
<b>East Taieri Manse</b>	\$1.770m	\$4,370	Full Replacement Cost for Perils and Natural Disaster	Reinstatement \$1.770m	Nil	The elders are recommending this property be sold so full cover is required up to time of sale.
<b>Ocean View</b>	\$435,000	\$1,074	Demolition for Perils and Natural Disaster	Demolition \$16,500	\$1,038	This property is largely not in use and the elders are recommending demolition only. The building is in a poor state.
<b>Kinmont Hub</b>	\$3.035m	\$7,492	Indemnity for Perils and for Natural Disaster	Indemnity \$1,518m	\$4,039	The elders are recommending indemnity cover with up to 50% premium saving. Essentially it puts the congregation in the same financial position it was in before the loss occurred. Excepting the Fairfield Hall (Sunday School rooms) at Demolition
<b>Fairfield Church</b>	\$1.560m	\$3,851		Indemnity \$1.139m	\$1,339	
<b>Hall</b>	\$255,000	\$630		Hall Demolition \$10,000	\$565	
<b>East Taieri Church</b>	\$9.010m	\$22,243		Indemnity \$4.5m	\$12,438	
<b>Fellowship</b>	\$2.5053m	\$6,185		Indemnity \$2.193m	\$1,434	
	<b>\$18.6m</b>	<b>\$45,845</b>			<b>\$20,853</b>	<b>Saving 45.5%</b>
<b>Plus Contents, Liabilities, Levies etc</b>		<b>\$5,377</b>				
<b>GST</b>		<b>\$7,683</b>				
<b>Total</b>		<b>\$58,905</b>				

The 2025 insurance premium will be more than last year and at this stage unknown. We estimate \$65k on a replacement insurance value. The changes to insurance cover envisaged in the matrix reflect a savings of \$21k based on the current premium. ie. The total adjusted insurance cost would be \$35k v \$59k (GST inclusive).

We require and seek congregation approval for other than full reinstatement valuation.

**The Elders have proposed the following:**

- **East Taieri Manse – Replacement Value for Perils and Natural Disaster**
- **Ocean View Church – Insure for Demolition only for Perils and Natural Disaster**
- **Fairfield Church - Indemnity for Perils and Natural Disaster**
- **Fairfield Hall (Sunday School rooms) – Insure for Demolition only for Perils and Natural Disaster**
- **East Taieri Complex – Indemnity for Perils and Natural Disaster**
- **Kinmont Hub – Indemnity for Perils and Natural Disaster**

**Future Considerations:**

- **Indemnity for perils and demolition for natural disaster**

Given perhaps the lower risk of a natural disaster (as opposed to perils) we can release further premium savings by insuring for Demolition only. Natural disaster cover is an expensive component of the insurance bill.

Our older buildings would have a greater seismic risk.

- **Reinstatement v Indemnity**

We have an extensive regional property base and in the advent of a disaster (peril or natural) it is acknowledged that we probably would not seek to rebuild the church buildings at each and all locations. We would seek and explore alternative options relative to our mission. For example, in some cases, it may make more sense, say in the case of the loss of the Hub, that SHFT might look at ministry/mission options on the Taieri with the support of neighboring congregation at Mosgiel.

Determining which buildings to insure and what cover is not easy, and ideally, we are seeking a mission focus to determine which buildings are the most mission critical. Our approach to insurance this coming year is to achieve the premium savings by way of Indemnity cover for East Taieri, Kinmont and Fairfield. We need to further engage in discussion regarding our mission intentions and consider sale of property for funding major capital work programs alongside our insurance/risk analysis.

We have been advised that there is some risk that once we relinquish Reinstatement insurance in favor of a lower level, such as Indemnity, we may not be able to secure Reinstatement cover in the future. Accordingly, we could choose to insure the Fellowship and Offices at East Taieri for Reinstatement and in light of the new mission facilities design concept underway