

# Insurance Renewal Proposal

## Glossary

Auckland Council	(AC)
Auckland Transition Agency	(ATA)
Auckland Transport	(AT)
Finance and Risk Committee	(FRC)
Jardine Lloyd Thompson	(JLT)

## Executive Summary

A number of insurance policies are expiring on 30 April 2012. The insurance market conditions are “harder” (i.e. more expensive) as a result of the earthquakes in Christchurch as well as a number of other natural disasters in the Australasian region. **The Board is requested** to review the policies that are expiring and approve a level of cover to enable the brokers, JLT, to prepare proposals for the Board to consider at the April meeting.

Management recommend that each of the policies be renewed at existing levels and terms of cover, where possible, except where a specific recommendation is made below.

## Recommendations

It is recommended that the Board:

- i). Receive the report
- ii). Approve the recommended policies and cover to enable insurance market quotes to be prepared

## Background

At the FRC meeting on 1 February 2012 committee members were presented with a proposal to renew certain AT insurance policies that are due to expire on 30 April 2012. The FRC requested a report on the current insurance arrangements including the relationship that AT has with AC and how the brokers, JLT, will participate with the Board. AC has recently tendered for the provision of insurance brokerage and consultancy services for both AC and all CCO's (excluding Watercare). JLT, the current broker, was successful in being retained as the broker.

Prior to the formation of AT on 1 November 2010 insurance cover was put in place based on historical policies, deductibles and risks. This was done on “best endeavours” as the exact responsibilities, full schedule of assets and acceptable risks of each entity were not fully known. The decision was taken at the time to place insurance cover for a 12 (Rolling Stock), 18 or 20 month period, depending on the policy. The rolling stock policy was renewed on the previous levels of cover and deductibles during October 2011 with the other policies due to expire shortly.

AC currently manage the insurance placement and broker relationship in accordance with the Shared Service Agreement with AC that was established prior to the commencement of AT by the ATA. This relationship is to maximise the benefits to the group through minimising premium costs by placing the maximum level of assets and providing as many areas of natural cover as possible but still minimising all costs including claim processing and overhead costs. AC require one of their representatives to be present in any meeting of AT staff with JLT and any claims that go to JLT for passing on to the insurer are passed through the AC Insurance department.

AC recently conducted a tender process for appointment of Broker services. Through the tender process it was emphasised by all broker respondents that the insurance market is both volatile and sensitive to risk such that premiums currently charged to the AC Group will increase at the time of policy renewals, necessitating careful review of all policies, deductibles and levels of cover to minimise cost while maintaining cover for a reasonable level of risk.

The AC Risk and Assurance Director, Natalie Verdouw, and the CE of JLT recently travelled to meet a number of insurers, both overseas and in NZ, to initiate a better understanding of both the AC Group and the particular circumstances of the Auckland market risks versus other areas of NZ. The AC/CCO property (buildings, structures, plant, equipment and furnishings) insurance programme, together with several others specific to AT, falls due for renewal on 30 April 2012 (see Attachment 2) with the balance of policies due to expire on 30 June 2012.

A revaluation of the property portfolio is currently underway as part of the Annual Accounts process. The revaluation process will include the age of the buildings, seismic and geotechnical assessment, as well as an insurance value. This information is likely to be requested by insurers due to the current uncertainty in the insurance market and a reluctance by some insurers to accept any NZ risks. The valuers have been requested to comply with the revised timeline. At this time it is unknown whether the revaluation will be completed in time to be available for the insurance renewal programme.

## Proposed Timetable

<i>February</i>	AT discuss with JLT / AC draft insurance replacement options
<i>February/March</i>	AC and JLT present to insurers and get feedback on market conditions
<i>March</i>	AT Board meeting consider insurance cover recommendations
<i>Late March</i>	Final levels of insurance required placed into market for quotes
<i>April</i>	AT Board consider and approve final option(s) and cover placed by JLT

JLT are available to meet with the Board in April to present options, premiums and their recommendations for renewal insurance levels of cover, as well as any proposed deductibles should the Board request that. JLT have prepared a booklet "Insurance Review 2012" (Attachment 1) that provides details of all existing insurance policies, their expiry date, levels of cover, exclusions, deductibles, etc.

## Initial Proposal

Management have reviewed the current insurance policies due for renewal on 30 April and have summarised these in Attachment 2.

The following sets out the various policies in detail.

- 1) Material Damage** – the insured value of property for the 2011/12 year was \$521.6m (Attachment 1, Pg. 12 of the Summary Schedule in Section 3).

Management have been advised that this policy will incur the largest premium increase as an impact from the earthquake events that have occurred in Christchurch over the last 18 months and that the insurance market is reacting to. JLT have advised that it is unlikely that cover will be retained on the same basis, or if it is it will be prohibitively expensive, as a maximum loss in

any one event will need to be included and the excess from a natural event will increase to 2.5% of the sum insured from the previous 1% of site value (to a maximum of \$10m).

It is recommended that the value to be insured be retained at \$522m but that it also be reviewed to include any completed projects in the last 18 months and that feedback from the insurance market be received prior to finalising the detail of the cover, deductibles, excess, etc.

**2) Business Interruption –** This covers loss to the business as a result of damage to property insured under the Material Damages policy. The 2011/12 cover and recommendations for 2012/13 are:

(a) Ferry revenue (berthage, rental income) - \$3m

*Suggest retain*

(b) Parking Buildings –

i). Ex ACC \$45.5m (24 months)

The four CBD carpark buildings ex ACC have total revenue of \$16m per year. The largest single carpark building revenue earner is Downtown at \$7m per year. The four CBD parking buildings would only be impacted simultaneously if a natural disaster occurred, such as an earthquake. The maximum insurable period for earthquake cover is 24 months.

*It is recommended that this cover be reduced to \$32m for a 24 month period.*

On street car parking is not insurable as there is no insured asset to which it relates.

ii). Ex NSCC \$1.959m (24 months)

It is unclear why this was insured last year as AT does not own a carpark building on the North Shore. The only Council owned carpark is at the Bruce Mason Centre and that is owned by the Regional Facilities CCO.

*It is recommended that this cover not be renewed.*

iii). Note that carparks under construction at 30 April at New Lynn and **Ron Davies Drive** (Manukau) are not yet covered under the Material Damages policy but will be added once completed.

(c) Britomart: Loss of fare revenue \$10m (12 months)

This is an estimated impact on rail revenue if an event occurred at Britomart resulting in passengers having to disembark at the Strand platforms for an extended period. The cost to divert passengers by bus is covered under “Additional Expenses” below.

*It is recommended that this cover be retained.*

(d) Britomart Rental Income: \$536k (12 months)

*It is recommended that this cover be retained*

(e) Additional Expenses \$10m (24 months)

To cover additional costs of working as a result of any other damage to items covered under the Material Damage policy including the costs of additional buses to replace trains, additional staff or communication costs.

*It is recommended that this cover be retained.*

(f) Claim Preparation Costs \$2m –

*No change recommended*

- 3) **Contract Works** – *no change recommended*. The current policy is to automatically cover all new contract works up to \$2m with anything above that specifically notified.
- 4) **Public Liability** – *no change recommended*
- 5) **Directors and Officer Liability** – *no change recommended*
- 6) **Employers Liability** – *no change recommended*
- 7) **Statutory Liability** – *no change recommended*

## Next Steps

Directors are requested to advise their response to the above recommendations to enable JLT to provide an update and insurance premium quotes and options to the April Board meeting.

## Attachments

**Attachment 1** – JLT Insurance Review 2012

**Attachment 2** – Insurance Policies Expiring at 30 April

**Attachment 3** – Risks and Insurance by Operational Area

<b>WRITTEN BY</b>	Stephen Smith <b>Manager, Finance</b>	
<b>RECOMMENDED by</b>	David Foster <b>Chief Financial Officer</b>	
<b>APPROVED FOR SUBMISSION by</b>	David Warburton <b>Chief Executive</b>	

# Insurance Review 2012

## Auckland Transport

Distinctive. Choice.



February 2012

## Distinctive Choice

JLT is an international group of Risk Specialists and Employee Benefits Consultants and one of the largest companies of its type in the world. We offer a distinctive choice to our clients and partners through our combination of independence, scale and specialism.

As an independent business, we are able to operate with autonomy and flexibility. We have the scale to provide solutions to the complex demands of the world's leading companies and to deliver global servicing whilst recognizing that the needs of each of our clients are unique. By developing highly specialised services, we provide our clients with a depth of expertise and experience.

The value we create is driven through the personal determination of our 6,200 highly motivated and skilled people.

## AUCKLAND TRANSPORT

**Renewal Date – 30 April 2012**

**Date of Meeting:** Friday 24 February 2012

**Location:** JLT offices, 45 Queen Street, Auckland

**Attending:**

Stephen Smith	(AT)
David Middleton	(AC)
Bruce Lovejoy	(JLT)
Colin McCulloch	(JLT)

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# 1. Insurance Principles

## THE NATURE OF INSURANCE

A contract of insurance contains special elements as follows:

**GOOD FAITH** (uberrima fide) rather than caveat emptor (let the buyer beware) appropriate to other contracts.

**INDEMNITY** is the underlying principle that determines that, following insured loss or damage, the Insured shall be put back in the same position, no better nor no worse, as he was in immediately before the happening of the damage.

**FULL DISCLOSURE OF MATERIAL FACTS** - the Insured's Duty of Disclosure.

The duty of disclosure is an important legal requirement, which applies to insurance.

When you apply for insurance you have a legal duty of disclosure. This means you must tell your Insurer or any prospective Insurer all information you know (or could reasonably be expected to know) which would influence the judgement of a prudent underwriter

- Whether or not to accept your application, and
- if it is accepted, on what terms, and at what cost.

You **also** have this duty each time your insurance **renews**, and whenever you make any change to it.

Examples of information you may need to disclose include:

- any change in circumstances or activities which could increase the risk of an insurance claim;
- any criminal offence or traffic offence;
- any cancellation, refusal to renew insurance, or imposing of special terms by another insurance company;
- any insurance claims you have made in the past.

Examples of information that need not be disclosed include:

- anything you have already told us, or that we should be expected to know in the ordinary course of our business;
- anything that is common public knowledge;
- anything that reduces the risk of an insurance claim.

These examples are intended as a guide to help you understand your duty of disclosure. If you are not sure whether you need to disclose particular detail it is important to discuss this with your account manager.

If you fail to meet your duty of disclosure, the consequences can be serious. Policies may become null and void and unenforceable.

**SUBROGATION** is a right of the Insurer who, in the event of a loss, may take up the position of the Insured and pursue recoveries from third parties at fault.

**DUE DILIGENCE** is expected of the Insured. They must act with care, and as if uninsured at all times

**AVERAGE** - Some policies are 'subject to average'. Such a provision will have effect only if the property is under-insured at the time of loss, e.g. property is worth \$100,000 but you insure it for \$50,000. You suffer a loss of \$25,000. If the policy is 'subject to average', the maximum you may recover will be 50%, i.e. \$12,500.

**CLAIMS MADE AND NOTIFIED** – Certain categories of policy are provided on a 'claims made and notified' basis. This means any claim or circumstance known to the insured must be notified to Insurers as soon as possible and within the current insurance year. Failure to do so is likely to lead to declinature of that claim.

**UNREPORTED CLAIMS** – To obtain renewal terms or quotations for your insurance programme for the new period of insurance, the Insurers must be advised of any claims or incidences that could lead to a claim. This is an important part of your Duty of Disclosure.

**CHANGES IN YOUR OPERATION OR 'RISK'** - Again this is a crucial part of your Duty of Disclosure. The Insurer must be advised of any changes in you operation, new acquisitions, new activities or anything that may increase the risk insured. If there is any element of doubt it is always a good policy to declared it, this will avoid awkward situations when a claim is lodged.

## 2. General

### 2.1 Client Structure

Insured is stated as:

Auckland Transport

Social or Sports Club or named subsidiary companies

Are there any other parties that should be noted as an Insured?

### 2.2 Nature of Business

Is any material change likely in the nature of AT's activities in the near future? e.g.:

- Joint ventures
- New activities
- Contracting out of existing activities
- Construction/alteration to insured property
- Establishment of subsidiaries

Is the description of "the business" declared to Insurers correct, i.e., Plan, fund and develop the Auckland regional land transport system in a way that contributes to an integrated, safe, responsive and sustainable land transport system for the Auckland region.

Principally undertaking the following transport functions and duties:

- Planning and delivery of the local authority transport network in the Auckland region, including local roading and public transport, in accordance with the strategic direction set by the Auckland Council;
- Preparing the Auckland Regional Land Transport Programme which sets out the projects and services to be funded by the Auckland Council, local boards and the NZ Transport Agency over the next three years, including State highways;
- Ensuring that the Auckland Regional Land Transport Programme is consistent with the Government Policy Statement on Land Transport Funding, the Auckland Regional Land Transport Strategy and the Auckland Council's Long-Term Council Community Plan;
- Engaging with local boards over local 'place-shaping' proposals;
- Working closely with the NZ Transport Agency and the New Zealand Railways Corporation to ensure that the plans and views of those agencies are properly incorporated into RTA decision-making;
- Acting as an approved organisation in respect of transport activities for which funding has been approved by the NZ Transport Agency;
- Being the Road Controlling Authority for Auckland local roads & footpaths (excluding state highways) and all local government car-parking functions;
- Undertaking public transport planning, regulation and contracting under the Public Transport Management Act 2008; and
- Being a requiring authority under the Resource Management Act 1991.

## 3. Property

(Vero Insurance	60%
QBE Insurance	20%
Zurich New Zealand	10%
Lumley General Insurance	10%)
(Expiry date 30 April 2012)	

### 3.1 Cover

Covers physical loss or damage to property belonging to the Insured or for which the Insured is legally responsible or has assumed responsibility prior to the occurrence of any damage.

### 3.2 Property Insured

Any property that is to be insured must be listed in the "Statement of Property Insured" to be included under the Policy. The Policy defines the Property Insured as:

#### **Buildings**

Buildings as listed in the Statement of Property Insured and/or the following property attached to and/or adjoining thereto or within 25 metres of the circumference of the Building but not extending beyond 200 metres of the circumference of the Building:

Landlords fixtures and fittings, plant, fixtures, fittings, pipes, cables, fixed signs, lettering, tanks, poles, power poles, power lines and their supports, fences, walls, gates, landscaping, gardens, ornamental trees and shrubs, roads, paths and yards, scoreboards, floodlighting and other similar property.

#### **Contents**

- a) contents of buildings, plant or machinery, tools of trade, equipment, glass, tenants improvements; and
- b) all other tangible property not more specifically described for buildings, stock and specified items which are separately described and listed in the Statement of Property Insured.

**Stock** meaning stock and materials in trade.

**Excluded Property** is property separately described and listed in the Statement of Property Insured which would otherwise be subject to Exclusion 1(f) (other than reticulation systems, mining property below ground, land, roads, tunnels, footpaths or storm-water or drainage systems which continue to be excluded).

### 3.3 Basis of Settlement

Reinstatement Value, but:

Indemnity Value if property not replaced or on property identified in the Schedule as being insured for Indemnity Value only.

### 3.4 Extensions/Sub-limits

Capital Additions	\$5,000,000
Collapse or overheating of non-domestic boilers	\$250,000
Demolition and removal of debris	\$100,000

Hazardous Substance Emergency	\$50,000
Landslip	\$5,000,000
(Limit applies to Material Damage and Business Interruption)	
Mechanical Breakdown	\$25,000
(Limit applies to Material Damage and Business Interruption)	
Money - Section A	\$250,000
- Section B	\$20,000
New Construction/Alterations	\$2,000,000
'P' Laboratories – damage to Dwellings	\$50,000
Property in Water (any one loss)	\$500,000
Protection Costs	\$500,000
Stolen keys	\$100,000
Subsidence - any one loss	\$2,000,000
(Limit applies to Material Damage and Business Interruption)	
Refrigerated Goods	\$25,000
Transit	\$500,000
(Limit applies to Material Damage and Business Interruption)	
Works of Art	\$250,000
(any one item unless specified)	
Maori Artefacts & Taonga – cultural costs	\$25,000

### 3.5 Policy Deductibles (apply to combined Property/Business Interruption loss)

\$25,000 each & every loss other than:

Wharves, Piers, Jetties, Marinas & Pontoons	\$100,000
Vessel impact to Wharves & Ferry Terminals	\$100,000
Structures on Wharves	\$5,000
Miscellaneous Assets (as per schedule of insured assets)	\$2,500
Landslip or Subsidence	\$100,000

Earthquake, fire following earthquake, tsunami, volcanic eruption and hydrothermal activity

1% of Material Damage loss,  
minimum \$10,000 (will change from  
2012)

### 3.6 Excluded Property (unless listed on the Statement of Property Insured)

- a) New construction, installation, demolition erection or testing where the expected completed value or contract price, inclusive of all contractors or sub-contractors works, exceeds \$2,000,000
- b) jewellery, precious stones, furs, precious metals or bullion (other than the ceremonial chains and/or regalia of office, or exhibits)
- c) motor vehicles and other mechanically or electrically propelled vehicles watercraft aircraft and accessories
- d) livestock and growing crops
- e) standing timber
- f) (i) reticulation systems, mining property located beneath the surface of the ground, roads, tunnels, footpaths, storm-water or drainage systems
- (ii) the following can be insured if specified in the Statement of Property Insured as Excluded Property:-

Underground services, water, or sewerage systems not forming part of any building, fences (not otherwise included in the definition of Building), parking

meters, traffic lights, other free standing structures not otherwise defined nor separately described and listed in the Statement of Property Insured, property located on or in ponds, lakes, streams, rivers or the sea, docks, piers, wharves, dams, canals, bridges, retaining walls, seawalls, flood protection schemes or stopbanks and land, other than land beneath insured property, unless a sum is specified in the policy schedule under the heading "Excluded Property".

**Special Note:**

The following property subject to this Policy Exclusion has been declared to Insurers:

Refer schedule of insured property

**3.7 Major Exclusions**

Refer to Policy wording for full details of the Exclusions

*Perils Excluded:*

- War, civil war, military or usurped power
- Ionising radiation or contamination by radioactivity
- Settling, erosion, cracking, shrinkage or expansion
- Ground heave (apart from Earthquake etc)

*Direct causes excluded:*

- Burning out of electric motors etc exceeding 5.0kw.
- Shortages revealed at inventory
- Theft by the Insured or employees
- Explosion or overheating of boilers or pressure vessels
- Mechanical breakdown or derangement
- Wear and tear, inherent vice, pollution, contamination, normal shrinkage, corrosion, dampness, insects, vermin;
- Exposure to weather conditions where property is not normally left in the open;
- Smoke smut & fumes

*Other exclusions:*

- Faulty materials, workmanship or design.
- Building defects including penetration of water.
- Mould Mildew and gradual deterioration.
- Damage to or arising from Electronic Data.
- Terrorism or threat thereof.

**3.8 Waiver of Subrogation (Property & Business Interruption combined)**

Her Majesty the Queen in right of New Zealand (in respect of the Train Stations)

Veolia Transport New Zealand Limited (waiver of subrogation in respect of the Train Stations)

Fullers Group Limited (in respect of those parts of Pier 2 Downtown ferry wharf owned by them)

Buckland's Beach Yacht Club (in respect of the Passenger Ferry Pontoon and Loading Platform at Half Moon Bay)

Waiver of subrogation in favour of New Zealand Rail Corporation (ONTRACK) and the Crown in respect of the Train Stations and the Fibre Optic Cable

ONTRACK in respect of the Control Centre located in Britomart Transport Centre

In respect of Britomart Transport Centre, the Crown/New Zealand Railways Corporation and/or the Owners and/or the tenants and/or lessees and/or occupants of "The Britomart Transport Centre" and the buildings constructed on Lots 31, 55, 58, 59, 60, 61 (DP317575) and Lots 100 and 102 (forming part of DP323395) all for their respective rights and interests.

***Waiver of Subrogation (Britomart)***

Veolia Transport Auckland Limited for Veolia's provision of passenger rail services

In respect of the UPS Agreement with Vectek Electronics Limited, Insurers agree to limit their subrogation rights against Vectek Electronics Limited to a maximum of \$5,000,000.

## 4. Business Interruption

(Vero Insurance	60%
QBE Insurance	20%
Zurich New Zealand	10%
Lumley General Insurance	10%)
(Expiry date 30 April 2012)	

### 4.1 Cover

Loss consequent upon interruption to the business as a result of damage to property insured by the Material Damage policy, resulting in loss of revenue or rental income or increased cost of working as below.

### 4.2 Item/Sum Insured

● Insured Profit	\$
● Gross Revenue:	
● - Ferry Passenger Revenue, Ferry Wharves Berthage, Operator Wharfage Fees & Rental Income (12 months)	\$3,000,000
● - Car Parking Revenue ex ACC (24 months)	\$45,522,705
● - Car Parking Revenue ex NSCC (24 months)	\$1,958,550
● - Britomart: Loss of Fare Revenue (12 months)	\$10,000,000
● - Britomart: CPO Rental Income	\$536,291
● Wages (if not included in Insured Profit)	\$
● Rental Income	\$
● Commissions Payable	\$
● Additional Expenses (24 months)	\$50,000,000
● Claims Preparation Costs (24 months)	\$2,000,000
● Book Debts	\$
● Contractual Commitments	\$
● Depreciation Recovery Taxation Indemnity	\$

### 4.3 Indemnity Periods

As noted above

**Note:** If the indemnity periods for Insured profit, revenue and rental values exceed 12 months, the value must be increased to reflect the period selected.

### 4.4 Deductibles

Nil, other than:

● Acts of Civil Authorities	7 days
● Compulsory Closure	24 hours
● Dependency:	
- Port, Airport & Railway Buildings only	7 days
- All other insured Dependencies	24 hours
● Entanglement	24 hours

- Fumes Gases & Toxic Chemicals 24 hours
- Earthquake Refer Property

#### 4.5 Memoranda & Extensions

Refer to the policy document for a complete list of policy extensions. Some Policy extensions and memoranda are outlined as follows:

- **Acts of Civil Authorities** - Covers losses following acts of destruction ordered by a Civil Authority to prevent or restrict loss or damage to Insured Property.

Limit 5% any one loss.

- **Compulsory Closure** – Covers losses arising from the ordered closure of any property due to:-

- murder or suicide,
- vermin pests or defects in drains,
- injury traceable to injurious matter in food or drink.

Limit 5% of each item insured.

- **Dependency** – Provides cover for losses arising from damage to:-

- Property within 1 kilometre of the Insured property which hinders access;
- Electricity supply, gas works or storage facilities, water works treatment or supply (except pipelines);
- Sewage works or treatment plants;
- Port or Airport buildings or contents, railway warehouses;
- Suppliers premises;
- Customers premises;

Limit 10% of each item insured.

- **Entanglement** - Losses resulting from entanglement or entrapment of animals or person in machinery, plant or other insured property. Limit 5% of each item insured.
- **Fumes Gases and Toxic Chemicals** - Losses resulting from accidental discharge of fumes and gases. Limit 5% of each item insured.
- **Release of Liability** – As per Property Policy

#### 4.6 Review

Revenue & rental income sums insured.

## 5. Motor Vehicle

(Zurich Auto)  
(Expiry date 30 June 2012)

**5.1** Indemnifies the insured against loss or damage arising from an insured peril to any insured motor vehicle occurring during the period of insurance. Also indemnifies the Insured for third party liability arising out of or in connection with use of any insured vehicle.

**5.2 Basis of settlement** **Market value**

**5.3 Limits of indemnity**

Own damage. Market value at time of loss.

Vehicles exceeding \$250,000 in value must be declared to the Insurer

Third Party Liability (Section 2) \$10,000,000

**5.4 Special Limits**

Additions & Deletions	\$250,000
Claim Preparation Costs	\$5,000
Cleaning Up Costs	\$20,000
Defence Costs	\$10,000
Disability Modifications	\$5,000
Employees Vehicles	\$50,000
Exemplary Damages	\$500,000
Funeral Expenses	\$10,000
Goods in Transit (\$50 deductible)	\$10,000
Hoists	\$20,000
Keys & Locks	\$2,500
Lease Value	\$10,000
Load Recovery	\$20,000
No Fault Deductible Waiver	\$2,000
Portable Electronic Accessories	\$2,500
Rental Vehicles:	
- Vehicle	\$150,000
- Consequential losses	\$75,000
Sign Writing	\$5,000
Theft Costs (excluding first 7 days):	
- Maximum weekly limit	\$700
- Maximum any one claim	\$2,500
Travel Costs	\$5,000
Treads & Track Damage	\$3,000
Weight Damage	\$500,000
Windscreen/Window Damage	Included

**5.5 Deductible**

Own damage (Section 1)	\$10,000
Under age	Nil
Windscreens	Nil

Punitive & Exemplary Damages	\$5,000
Vibration and Weight damage	\$2,000

## 5.6 Major Exclusions

Refer to Policy document for full details of the exclusions.

Racing, pacemaking, reliability trials, speed tests or testing in preparation for any of them;

Carrying fare paying passengers (not applicable to commercially operated buses licensed for carrying passengers);

Drivers under the influence of drink or drugs, failing to stop or remain at the scene following an accident;

Unlicensed drivers (use of an insured vehicle for teaching a learner to drive is permitted providing the law is complied with in this respect);

Use of vehicles in an unsafe condition where the condition causes or contributes to an accident;

Use of vehicles loaded in excess of manufacturers specifications or in excess of limits specified under Transport Act regulations;

Mobile plant whilst being operated contrary to Transport Act regulations;

War, mutiny, rebellion and the like;

Radioactive contamination etc;

Consequential losses/loss of use;

Depreciation;

Wear & tear;

Computer date recognition;

Mechanical, electrical or electronic breakdown;

Punctures, cuts or burst tyres or damage to tyres by application of brakes;

Liability for death or bodily injury to employees;

Liability resulting from loss or damage to your own property or to other property in your care custody or control (not applicable to disabled vehicles under tow);

Liability for loss or damage to property being conveyed by or loaded into or loaded from an insured vehicle (not applicable to passengers baggage and clothing);

## 6. Public Liability

(Vero Liability Insurance Ltd 70%)  
 (QBE Insurance (International) Ltd 30%)  
 (Expiry date 30 April 2012)

### 6.1 Scope of Cover

Indemnity for sums the Insured becomes *legally liable* to pay in respect of personal injury (including shock, mental anguish or mental injury), or property damage arising from an occurrence in connection with the Insured's usual business activities during the period of insurance and within the territorial limits.

Plus defence costs incurred with Insurers consent including costs recovered by any claimant

### 6.2 Limit of Indemnity

\$50,000,000 any one occurrence/any one Policy Period for the Products Hazard.

#### *Sub-limits/Extensions:*

Forest & Rural Fires Act Costs	\$100,000
Product Withdrawal Costs	\$100,000
Property in Care Custody Control	\$250,000
Property Owners Liability	Policy limit
Punitive & Exemplary Damages	\$1,000,000
Service & Repair	\$250,000
Tenants Liability	Policy limit
Underground Services	Policy limit
Vibration & Removal of Support	Policy limit

### 6.3 Deductibles

\$100,000 Rail related claims  
 \$10,000 all other claims

### 6.4 Exclusions

Please refer to the policy for full details of policy exclusions. The major exclusions are:

Injury to Employees

Injury covered by Accident Compensation

Property in care, custody or control beyond the Policy sub-limit (\$250,000)

Damage to Insured's products

Delay in or lack of performance by the Insured

Product recall

Ownership, maintenance, use, operation of aircraft, watercraft exceeding 8 metres in length or motor vehicles

War etc, terrorism

Radioactive contamination

Liability assumed by agreement unless such liability would have existed in the absence of such agreement

Breach of duty owed in a professional capacity

Pollution or contamination unless sudden and accidental

Defamation

Asbestos

Electronic date recognition failure

Building defects including penetration of water

Litigation in existence at the commencement of the period of insurance

#### **6.5 Territorial Limits/Jurisdictional Limits**

Worldwide excluding USA &/or Canada

#### **6.6 Other Interests**

The Crown/New Zealand Rail Corporation/ONTRACK

But only in respect of their liability arising from the activities of the named Insured's and subject always to the terms, conditions and exclusions of the Policy.

Including contractors working like an employee in a management/administrative capacity.

The following organisations for their vicarious liability arising out of Auckland Transport's ownership, operation & maintenance of real time passenger information display systems at the following locations:

- Auckland International Airport Limited (Auckland airport)
- Westfield (New Zealand) Limited (Manukau City Centre)
- AMP Property (Botany Town Centre)
- Massey University (Albany campus)
- Counties Manukau District Health Board (Middlemore Hospital)

*Waiver of Subrogation*

In favour of The Crown/New Zealand Rail Corporation/ONTRACK

#### **6.7 Required**

Completed renewal declaration

## 7. Directors & Officers Liability

(Vero Liability Insurance Ltd	70%
QBE Insurance (International) Ltd	30%
(Expiry date 30 April 2012)	

### 7.1 Scope of Cover

To indemnify any past, present or future director, officer or employee of the Insured against sums they become *legally liable* to pay in respect of wrongful acts committed, attempted or allegedly committed or attempted.

#### SPECIAL NOTE

This policy provides cover on a "claims made" basis. This means it responds to claims first made and notified to Insurers during the current policy period provided the circumstances were not known to the Company (or others indemnified under the policy, e.g. directors, officers and employees) prior to commencement of the policy period.

Circumstances that could give rise to a claim must be notified to Insurers immediately and having been so any subsequent claim is deemed to have been made during that period of insurance.

### 7.2 Limit of Indemnity

\$30,000,000 any one claim/and in the aggregate any one Policy period.

### 7.3 Deductible

Company Reimbursement	\$10,000 (costs inclusive)
Directors & Officers	Nil

### 7.4 Territorial/Jurisdictional Limits

Worldwide excluding USA &/or Canada

### 7.5 Retroactive Date

1 November 2010. Claims or claim circumstances arising prior to this date are excluded.

### 7.6 Extensions/Sub-limits

Advancement of Defence Costs

Apportionment

Compensation for Court Attendance \$300 per day/\$10,000 per policy period

Consolidation or Merger

Continuous Cover

Employment Practices Liability cover for Insured Persons

Employment Superannuation Scheme Trustee Liability

Estates & Legal Representatives

Extended Reporting Period

Goods & Services Tax	
Health & Safety Act Defence Costs	\$250,000
Innocent Non-Disclosure	
Insured versus Insured	
Newly Created or Acquired Subsidiary (ies)	
Official Investigations & Inquiries	
Outside Position Liability	
Pollution Defence Costs	\$250,000
Preservation of Indemnity	
Previous Subsidiaries of the Insured Organisation	
Severability & Non-Imputation	
Spousal Liability	
Successful Defence of Criminal Prosecution	

#### **7.7 Exclusions**

Refer to Policy wording for full details of the Exclusions

Claims arising out of circumstances notified to Insurers of any other policy prior to inception of this Policy

Claims arising out of circumstances of which the Insured were aware prior to the renewal date of this Policy and not disclosed to Insurers

Bodily injury, sickness, disease or death, or loss or damage to tangible property

Return of remuneration to which an Insured Person was not entitled

Insider trading

Dishonesty of any Insured Person

Personal profit or advantage to which an Insured Person was not legally entitled

Litigation in existence at the commencement of the period of Insurance

Fines or penalties

War etc, terrorism

Inadequate insurance

Breach of professional duty owed in a professional capacity other than that of a director or officer per se

Asbestos in any form or quantity

Issue of shares or prospectus

Electronic date recognition failure

Weather tightness, mould, mildew

Claims brought by shareholders

### **7.8 Claim Conditions**

Immediate notice in writing is to be made to Insurers of:

- any claim or allegation of a claim
- the receipt of notice from any person holding the Insured responsible for the results of an alleged wrongful act for which the policy provides indemnity
- any circumstances of which the Insured shall become aware that may give rise to a claim under the policy

### **7.9 Required**

Completed renewal declaration

## 8. Statutory Liability

(Vero Liability Insurance Ltd                      70%  
QBE Insurance (International) Ltd            30%)  
(Expiry date 30 April 2012)

- 8.1** This policy indemnifies the Insured against defence costs and fines as a result of an alleged breach of any Act of the New Zealand Parliament or to any re-enactment of those Acts or subordinate legislation.

In respect of the Health & Safety in Employment Act, policy coverage is limited to defence costs and Court awarded reparation. The legislation does not allow for fines & penalties to be insured.

### **SPECIAL NOTE**

This policy provides cover on a "claims made" basis. This means it responds to claims first made and notified to Insurers during the current policy period provided the circumstances were not known to the Company (or others indemnified under the policy, e.g., directors, officers and employees) prior to commencement of the policy period.

Circumstances that could give rise to a claim must be notified to Insurers immediately and having been so any subsequent claim is deemed to have been made during that period of insurance.

- 8.2 Limit of Indemnity**  
\$1,000,000 any one occurrence/and in the aggregate any one Policy year (inclusive of costs and expenses)
- 8.3 Deductible**  
\$500 each and every claim inclusive of costs and expenses
- 8.4 Territorial/Jurisdictional Limits**  
New Zealand only
- 8.5 Retroactive Date**  
1 November 2010. Claims arising from an occurrence or circumstance prior to this date are excluded.
- 8.6 Major Exclusions**  
Refer to Policy wording for full details of the Exclusions

The engagement of any contractor to dispose of or handle materials unless the Insured has taken all reasonable steps to ensure that the materials will be disposed of or handled in a lawful manner

Any deliberate breach of any provisions of any Act etc

Any deliberate failure to comply with any lawful order, demand, notice, requirement or

determination made by any statutory authority or enforcement agency under any of the Acts

Any judgement entered in any Court other than a New Zealand Court

War etc

Terrorism

Radioactive contamination etc

Any occurrence in connection with the Commerce Act 1986 (applies to the Company only)

Any application brought by the Commerce Commission under Sections 81, 84 or 87 of the Commerce Act 1986

Prosecutions etc brought by a person other than the statutory authority or enforcement agency given that responsibility under the Act

Any action etc brought by the New Zealand Police (this exclusion does not apply to the Sale of Liquor Act)

Any action etc brought by the Inland Revenue Department or other revenue-collecting statutory authority

Claims arising from any contract of service or intended contract of service with any current, former or prospective employee

Claims made or circumstances known of, threatened or intimated prior to commencement of the period of insurance and not notified to the Insurer

Any occurrence which has taken place prior to the Retroactive Date (1 November 2010)

Electronic systems data recognition failure

Weather tightness, mould, mildew

## **8.7 Other Interests**

Including contractors working like an employee in a management/administrative capacity.

The following organisations for their vicarious liability arising out of Auckland Transport's ownership, operation & maintenance of real time passenger information display systems at the following locations:

- Auckland International Airport Limited (Auckland airport)
- Westfield (New Zealand) Limited (Manukau City Centre)
- AMP Property (Botany Town Centre)
- Massey University (Albany campus)
- Counties Manukau District Health Board (Middlemore Hospital)

## **8.8 Required**

Completed renewal declaration

## 9. Employers Liability

(Vero Liability Insurance Ltd                      70%  
QBE Insurance (International) Ltd            30%)  
(Expiry date 30 April 2012)

- 9.1** Indemnifies the Insured for legal liability (common law) to pay damages as a result of an employee sustaining personal injury in the course of their employment, and to pay the costs and expenses in the investigation, defence or settlement of claims where such injury is not covered by Accident Compensation.

*Special Note:*

This policy coverage is provided on a 'claim made and notified' basis. Any claim or known circumstance which may give rise to a claim must be notified to Insurers as soon as possible and within the current insurance year. Failure to do so is likely to lead to declination of that claim.

- 9.2 Limit of Indemnity**  
\$1,000,000 any one occurrence/and in the aggregate any one Policy period.

- 9.3 Deductible**  
\$500 each and every claim (costs inclusive)

- 9.4 Major Exclusions**  
Refer to Policy wording for full details of the Exclusions

Claims covered by Accident Compensation

Wilfully intentional or deliberate conduct of the Insured

Dishonest, fraudulent, criminal or malicious act or omission of the Insured

Personal injury which arose out of the failure to comply with any improvement, prohibition or suspension notice issued under the Health & Safety in Employment Act 1992

Claims for trespass of the person, assault, battery, false imprisonment, intentional physical harm, malicious prosecution, sexual harassment or sexual abuse

Directing an employee to undertake activities other than in the course of the usual activities of the Insured's business

In respect of judgement of any court other than a New Zealand court

Any fine or penalty

Terrorism

**9.5 Retroactive Date**

1 November 2010. The Policy will not respond to any Personal Injury sustained by any employee prior to the Retroactive date.

For the purposes of this insurance disease shall be sustained when the employee is first exposed to conditions in New Zealand out of which the disease the subject of the claim arose.

**9.6 Required**

Completed renewal declaration

## 10. Fidelity Guarantee (Crime)

(Chartis Insurance)  
(Expiry date 30 June 2012)

- 10.1** Direct financial loss sustained at any time consequent upon a single act or series of related acts of theft, fraud, dishonesty or criminal damage committed by any employee (acting alone or in collusion with others).

Including:

- Theft or fraudulent act committed by any third party
- Electronic & Computer Crime committed by a Third Party
- Destruction of Money
- Criminal Damage to Property
- Erroneous Funds Transfer

**10.2 Limit of Indemnity** \$5,000,000 any one loss and in the aggregate any one Policy period

**10.3 Deductible** \$25,000 each claim

**10.4 Insured Persons**  
Covers any natural person while in the regular service of the Insured.

**10.5 Discovery Period**

Following termination of employment	90 days
If policy not renewed or cancelled	90 days

**10.6 Retroactive Date**  
1 November 2010. Claims arising from an occurrence or circumstance prior to this date are excluded.

**10.7 Extensions**

Worldwide cover	
Automatic subsidiary	
Care custody and control	\$1,000,000
Criminal damage to computers & electronic information	\$250,000
Pre-Loss Consultant Services	10% of premium
Contractual penalties	\$250,000
Interest	\$250,000
Legal fees	\$250,000
Reconstitution costs	\$250,000
Public relations costs	\$100,000
Investigative specialist fees (prior approval of Insurer)	\$100,000
Superannuation fund	
Bilateral discovery period	

## **10.8 Major Exclusions**

Refer to Policy wording for full details of the Exclusions

Consequential losses

Claim preparation costs exceeding the policy limit

Creditor default or non-payment

Fines, penalties or damage

Loss sustained after knowledge of an act of theft etc

Non-violent crime but not applying to theft of money, securities or computer or funds transfer fraud

Premises damage

If Policy not renewed or cancelled, losses discovered 90 days after date of non-renewal or cancellation

Loss dependent solely on profit, loss or inventory computation

Proprietary information, trade secrets & intellectual property

Radioactivity & nuclear risks etc

Voluntary exchange or purchase of money, securities or other property

War & terrorism

## **10.9 Required**

Completed proposal form

## 11. Business Travel

(Chartis Insurance)  
(Expiry date 30 June 2012)

- 11.1** Overseas travel in connection with the business of the Insured, including associated, private, personal and family travel outside of New Zealand, which shall start from the time of leaving home or normal place of business (whichever is left last) and continue until arrival back home or normal place of business (whichever is reached first).

Travel solely within New Zealand involving travel more than a fifty kilometre radius from the travellers home or normal place of work (other than commuting).

**11.2 Insured**

All Elected Members, Directors, Executives & Employees of the Insured or Persons authorised by the Insured travelling overseas on authorised business travel including incidental private travel if declared by the Insured, including spouses (including common-law) and families of an Insured Person.

**11.3 Age Limit**

Up to 80 years of age or up to 75 years in respect of the Personal Injury benefit Permanent Total Disablement

**11.4 Benefits Each Person**

Medical Expenses	Unlimited
- in hospital cash benefit	\$200/day max \$5,000
Emergency Assistance	24 hours
Loss of Deposits/Cancellation/Curtailment Expenses	\$100,000
- legal expenses	\$50,000
- hijack: \$1,000 per day max	\$15,000
Property	
- business & personal property	\$20,000
- portable electronic equipment	\$10,000
- mislaid luggage	\$5,000
- travel documents	\$5,000
- credit card fraud	\$5,000
- money	\$5,000
- keys and locks	\$1,000
Personal Injury	
- events 1-19	\$250,000
- spouse	\$150,000
- dependent child under 18 years	\$20,000
- broken bones benefit	\$5,000
- surgical benefits for Injury	\$5,000
- surgical benefits for Sickness	\$5,000

- weekly injury benefit (excluding first 14 days)	\$2,000 per week/ up to 104 weeks
Alternative Employee/Resumption of Assignment	\$20,000
Political Risk & Natural Disaster Evacuation	\$20,000
Missed Transport Connection	\$10,000
Rental Vehicle Excess Cover	\$5,000
Kidnap & Ransom & Extortion	\$250,000
Personal Liability	\$5,000,000
Corporate Travellers Family Care	
- spouse accidental death	\$25,000
- education fund	\$5,000/\$10,000 per family
Death by Natural Causes	\$50,000

**11.5 Aggregate Limit of Liability**

\$2,500,000 in aggregate except \$1,000,000 non-scheduled flights.

**11.6 Deductibles**

Nil, other than Portable Electronic Equipment claims where the deductible is 10% of the laptop value

Warranted Portable Electronic Equipment is secured in locked premises or room when unaccompanied.

**11.7 Major Exclusions**

Refer to Policy document for full details of the exclusions:

War, civil war, invasion etc in country of residence, Afghanistan, Iraq, North Korea, Chechnya and border areas and Somalia

Air travel except as a passenger in any properly licensed aircraft

Intentional self-inflicted injury or suicide or any attempt thereof

Sexually transmitted disease, AIDS or HIV

Training for or participating in professional sports of any kind

Arising from criminal or illegal acts

Financial default of any airline, other transport provider, hotel or any provider of travel or tourism related services

Travelling against medical advice

Travel undertaken for the purpose of receiving medical treatment overseas

Persons over 80 years of age (75 years for Permanent Total disablement)

## 12. Rolling Stock

(Royal & Sun Alliance, London)  
(Expiry date 31 October 2012)

**12.1** Covers physical loss or damage to property belonging to the Insured or for which the Insured is legally responsible or has assumed responsibility prior to the occurrence of any damage.

### 12.2 Insured

Auckland Transport

KiwiRail Limited (as operator of the locomotives pulling the Carriages)

Veolia Transport Auckland Limited (as operator of the rail service)

Note: Insurers retain subrogation rights against KiwiRail or its subsidiaries for loss or damage to the insured Rolling Stock arising out of KiwiRails' other activities such as freight operations, inter-city and other passenger services, associated organisations such as Tranz Scenic and heritage use.

### 12.3 Sums Insured

Limit each & every loss: \$100,000,000

### 12.4 Extensions/Sub-limits

Alterations	\$100,000
Professional Fees	\$2,500,000
Removal of Debris	\$5,000,000
Additional Vehicles	\$5,000,000
Earthquake or Volcanic Eruption – any one claim/and in the aggregate	\$50,000,000
Inadvertent Errors & Omissions	\$2,500,000
Loss Reduction Expenses	\$2,500,000
Salvage Recovery & Re-siting	\$5,000,000
Loss Reduction Expenses	\$2,500,000
Temporary Repairs & Expediting Costs	\$2,500,000
Claim Preparation Costs	\$100,000

### 12.5 Basis of Settlement

#### *Repairable Damage*

Restoration to its former state of serviceability plus cost of dismantling and re-erection for the purpose of repair as well as ordinary freight to and from a repair shop to a condition substantially the same but not better than new limited to the agreed value of the insured item.

*Total Loss/Constructive Total Loss*  
Agreed value of the insured item

#### **12.6 Deductible**

\$250,000 each claim

#### **12.7 Operator**

Veolia Transport Auckland Ltd

#### **12.8 Use/Area of Operation**

Passenger transport within the Auckland metropolitan region

Including travel outside the Auckland region for maintenance and occasional charter/heritage excursions – up to 10 per annum

#### **12.9 Major Exclusions**

Asbestos or anything related thereto

Corrosion erosion rust wet or dry rot shrinkage evaporation loss of weight dampness dryness marring scratching vermin or insects

Change in temperature colour flavour texture or finish

Consequential losses of any kind

Liquidated damages, penalties for delay or detention or in connection with guarantees of performance or efficiency or loss of use or any other form of consequential loss

Electronic data distortion

Fraud or dishonesty by the Insured or any director or employee

Disappearance unexplained or inventory shortage misfiling or misplacing of information or shortages due to error or omission

Voluntary parting with title or possession of any Property Insured if induced by any fraudulent scheme trick device or false pretence

Gradual deterioration wear and tear inherent vice latent defect frost

Faulty or defective design or materials

Change in water table level except in respect of subsidence ground heave or landslip

Faulty or defective workmanship operational error omission on the part of the Insured or employees (other than errors or omission by the driver conductor guard or other authorised person carrying out those duties employed by the Insured)

Correction of defects in design or content of any computer records or program

Pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds

Impact to any property by any waterborne vessel or craft

Electrical or mechanical breakdown or derangement

Pollution or contamination

Explosion of any boiler or pressure vessel

Radioactive or nuclear contamination etc

Normal settlement bedding down of new structures or by settlement or movement of made up ground or by coastal or river erosion

Terrorism

War, civil war etc.

## 13. Wharfingers Liability

(QBE Insurance (International) Ltd)  
(Expiry date 30 June 2012)

### 13.1 Scope of Cover

Indemnity for sums the Insured becomes *legally liable* to pay for accidental:

- (a) Physical loss of or damage to vessels and/or craft, their equipment, cargo, freight and other interest on board, the property of others while such property is in the Insured's custody at your landing & mooring facilities. Including removal of wreck for which the Insured is legally liable.
- (b) Physical loss of or damage to other vessels, their cargoes or freight or any other fixed or movable objects or property belonging to others arising out of the above operations.
- (c) Plus defence costs incurred with Insurers consent.

### 13.2 Business

Owner & operator of wharves & terminals for ferry passenger services.

### 13.3 Limit of Indemnity

\$10,000,000 any one occurrence and in aggregate for products hazard.

Sub-limit:

Seepage & Pollution \$1,000,000 any one claim/and in the aggregate

### 13.4 Deductible

\$50,000 each and every loss inclusive of costs.

### 13.5 Insured Locations

Downtown Ferry Terminal  
Half Moon Bay  
Devonport  
Northcote  
Birkenhead  
Gulf Harbour  
Bayswater  
Stanley Point  
Beachhaven  
Kennedy's Point Wharf, Waiheke Island  
Matiatia Wharf, Waiheke Island (old & new wharves)  
Orapiu Wharf, Waiheke Island  
Sandy Bay Wharf, Rakino Island

Whangaparapara Wharf, Great Barrier Island  
Okupu Wharf, Great Barrier Island

### **13.6 Major Exclusions**

Liability assumed by agreement

Loss of life, bodily or personal injury, sickness or disease of any person

To the extent of any benefit of any release from liability by contract or statute

Fault of any vessel or craft owned or operated by the Insured

Claims covered under any other insurance

Loss or damage to property owned, chartered, leased or rented by the Insured

Theft by infidelity or similar act of a dishonest character on the part of the Insured, your employees or sub-contractors

Inherent vice or loss of market with respect to cargo.

War, civil war etc

Terrorism

Any weapon or war employing atomic fission or radioactive force whether in time of peace or war

Nuclear reaction, nuclear radiation or radioactive contamination

Delay, loss of use or consequential loss

Actual or potential discharge, omission, spillage or leakage upon or into the seas, water, land or air of oil, petroleum products, chemicals or other substances of any kind or nature whatsoever.

### **13.7 Territorial Limits**

New Zealand

## 14. Other Insurances Available

The following classes of insurance are available. Those purchased are marked with a 'X', uninsured risks with a 'U'.

The list is not intended to be exhaustive. There may be insurance coverage not specifically mentioned about which information will be obtained on request.

### Class of Insurance/Risk Status

#### Accounts Receivable

Inability to recover debtors due to destruction/damage to records U

#### Aquaculture

Damage or destruction of fish farms. U

#### Advance Profits

Loss of anticipated income/turnover from a venture, process, expansion or construction programme where loss or damage delays or prevents the commencement of the undertaking. U

#### Airport Owners or Operators

Ownership or operation of airfields. U

#### All Risks

A broad range of perils is available for specified items of particular value. Basis of cover may be "agreed-value". X

#### Aviation

Cover on hulls and equipment, ground-based facilities and equipment, specialised liabilities, loss of pilot's licence, chemical liability. U

#### Bloodstock

Mortality cover for bloodstock and other animals. U

#### Boiler (Explosion, Collapse)

Refer Pressure Vessel X

#### Burglary

Usually covered with the insurance of business assets but may be separately arranged and may include loss following non-forcible entry (i.e. theft risks). X

STATUS: X - INSURED U - UNINSURED NA - NOT APPLICABLE Q - QUOTED

**Business Interruption**

The gross profit content of any turnover lost following interruption or interference with the business. May include rental income and loss of value, e.g. goodwill on lease or extra costs to maintain or resume normal turnover. A range of perils is insurable following the Material Damage and other policies on assets and including such risks as compulsory closure. Various options exist to insure Wages/Salaries/Commissions/Contractual Commitments.

X

**Charterers Liability (Aviation/Marine Hull)**

Protection tailored to meet the conditions of a Marine or Aviation Charterers Agreement for hull and/or liabilities.

U

**Civil Defence Costs**

For costs incurred before, during or subsequent to any declared civil defence emergency.

N/A

**Civil Engineering**

Specialised covers on completed engineering works.

U

**Computer/Consequential Loss**

Electronic breakdown, failure, derangement, and consequential losses arising therefrom including extra costs to maintain normal operations and data reconstruction. Cover may be provided in whole or in part under the insurance of business assets. Extended cover for virus protection and computer fraud is often available.

U

**Consumer Credit**

Cover for inability to meet hire purchase obligations.

N/A

**Consequential Loss (See Business Interruption)**

X

**Contract Bonds, Guarantees**

To meet the terms of an undertaking for performance or payment that would otherwise require a cash deposit or payment in advance

U

**Contract Works**

Protection for the contract “works” in terms of the contract and third party liabilities throughout the contract/maintenance period. May include constructional plant and equipment, temporary buildings or structures and transit risks

U

**Contract Penalties**

Arranged in respect of various types of bonds/guarantees.

U

**Copyright**

Specialised liability coverage for breaches or infringement of copyright.

U

**Credit Insurance**

Cover for manufacturers or exporters credit risk.

N/A

STATUS: X - INSURED      U - UNINSURED      NA - NOT APPLICABLE      Q - QUOTED

<b>Crop</b>	
Cover for growing crops.	U
<b>Directors and Officers</b>	
Indemnity to Company Directors for claims made against them for wrongful acts in the management of the insured organisation.	X
<b>Domestic Insurances</b>	
For dwellings, contents and personal effects.	U
<b>Employee Benefits (See also Life &amp; Pensions and Personal Accident)</b>	
Including capital benefits (lump sum), superannuation, salary continuance, life.	U
<b>Employers Liability</b>	
For damages awarded against an employer for injury to an employee in the course of their employment to which Accident Compensation may not apply.	X
<b>Employment Disputes</b>	
To provide indemnity for claims alleging a breach of employment contract, Privacy Act or Human Rights Act.	U
<b>Environmental Impairment</b>	
Specialised protection not otherwise available under the General Liability insurance for environmental contamination or impairment risks.	U
<b>Erection Risks</b>	
Constructional cover for engineering installation, erection, testing and commissioning risks.	U
<b>Extended Warranty</b>	
Cover for manufacturers/retailers repair liability in respect of products.	N/A
<b>Extortion, Kidnap and Ransom</b>	
For sums demanded and management of incidents.	U
<b>Farming/Agricultural</b>	
Covers on buildings, plant, utensils, yards, pastures, fencing, and crops.	U
<b>Fidelity Guarantee</b>	
Covering goods and/or money lost through fraud or dishonesty of employees.	X
<b>Film Producers</b>	
Specialised cover for film producers.	N/A
<b>Fine Arts</b>	
Specialised cover on works of art and museum exhibits.	U
<b>Forged Share Certificates</b>	N/A

STATUS: X - INSURED    U - UNINSURED    NA - NOT APPLICABLE    Q - QUOTED

<b>Forest and Rural Fires Act</b>	
For costs imposed on statutory authorities under the legislation.	U
<b>Frozen Goods</b>	
Deterioration following stoppage of refrigeration equipment for chilled or frozen goods.	X
<b>Glass</b>	
Insurance of glass, glazing and temporary protection and/or security costs.	X
<b>Goods in Transit</b>	
In respect of products or plant away from the premises on a regular or one-off basis. May be covered under Material Damage.	X
<b>Hall Hirers Liability</b>	
Indemnity for legal liabilities in connection with the hire of a venue and arising from occurrences resulting in Personal Injury or Property Damage. Your Material Damage Insurer, for example, has recovery rights against hirer causing loss or damage to the venue.	U
<b>Harbourmasters Liability</b>	
For maritime-related activities in respect of licensing, warnings, controls and enforcement within harbour limits.	U
<b>Industrial Special Risks (see Material Damage)</b>	X
<b>Infrastructural Assets</b>	U
<b>Internet Protection</b>	
Provides indemnity against cyber-attacks to internet systems. Includes liability coverage, media coverage, extortion coverage, asset and income protection coverage.	U
<b>Investment Statement Liability</b>	
Indemnity for wrongful acts, errors or omissions in investment statements. Covers Council, Elected Members & Council Officers.	U
<b>Legal Expenses</b>	
Defence and representation costs in defending actions.	U
<b>Liabilities</b>	
• General; in connection with the nominated activities, including legal costs.	X
• Products; arising out of products supplied, including legal costs (New Zealand only or worldwide).	X
• Bailees; in respect of property held under bailment, or in your custody and/or control.	X
• Breach of Copyright; infringement of industrial, property or intellectual rights.	U

STATUS: X - INSURED    U - UNINSURED    NA - NOT APPLICABLE    Q - QUOTED

- Carriers; for liabilities under legislation U
- Contractual; in respect of specific Contractual Agreements U
- Libel and Slander and/or advertisers/publishers U
- Professional; specialised protection for breach of professional duty, arising from advice or treatment. U
- Umbrella/Difference in Conditions; a secondary additional layer of protection which may also "drop-down" to provide a broader primary cover around the basic policy. U
- Forest/and Rural Fires Act; possible costs which may be incurred under the legislation require special consideration. X
- Service and Repair; an extension providing cover for damage to property worked upon and arising from the work itself. U
- Plant and Equipment; the use of certain mobile plant, or of equipment attached to a vehicle may require specific coverage. X
- Exemplary/Punitive Damages, (Bodily Injury) X

#### **Liability Consequential Loss**

The gross profit content of any turnover lost following interruption or interference with the business or extra costs to maintain or resume normal turnover as a result of a liability claim. U

#### **Life and Pensions**

- "Keyman" cover; providing funds following loss of "key" personnel. U
- Accident Compensation; U
- Capital Benefits; lump sums for specified disabilities U
- Financial planning; for future needs, retirement etc U
- Income protection; for specified events U
- Mortgage protection; following specified events U

#### **Livestock**

Specialised protection for nominated animals U

#### **Loss of Licence**

N/A

#### **Machinery**

- Breakdown; costs of repair, replacement following actual breakdown or derangement. U
- Consequential loss; in respect of financial losses and extra costs following breakdown or derangement. U
- Liabilities; may be insured separately or as part of General Liability insurance X

#### **Medical Expenses**

U

#### **Medical Malpractice**

Professional indemnity cover for medical practitioners/nursing professionals N/A

STATUS: X - INSURED      U - UNINSURED      NA - NOT APPLICABLE      Q - QUOTED

### Marine

- Hull; in respect of vessels and machinery U
- Cargo; whether imports or exports and also local sendings U
- Non ownership; exposures under specific contracts U
- Liabilities; arising from ownership or activities which might generate exposure to costs and expenses. X
- Overseas to overseas; cargo which does not originate from or arrive in New Zealand requires special insurance protection. U

### Material Damage

Provides for the insurance of business assets against an extended range of risks and permits the scope of cover to be tailored to your needs. X

### Money

Generally insured with the business assets but may be covered separately, includes "negotiable securities". X

### Motor

On vehicles and legal liabilities arising therefrom. May include non-owned vehicles and contractual obligations. Extensions are available for various additional expenses or increased costs which may follow loss or damage. Cover may include goods in transit. X

### Non-Appearance/Abandonment

Specialised covers for events/performances. N/A

### Personal Accident

Individual or Group cover providing tailored lump sum and weekly benefits following specified events including illness (for limited benefits). U

### Personal Accident – ACC Top Up

Top-up ACC weekly compensation for those employees earning in excess of \$110,018. U

### Pluvious (Rainfall)

Inability to recover costs/income due to specified exceptional rainfall. U

### Pressure Vessel

Explosion or collapse of vessels under steam or fluid pressure and business interruption losses following (refer also Machinery Breakdown/Consequential Loss). U

### Products

- Liability; usually part of Liability policy X
- Guarantee; for costs arising from failure of products to perform as undertaken or intended. U
- Recall; costs and expenses for recall of faulty products U

STATUS: X - INSURED    U - UNINSURED    NA - NOT APPLICABLE    Q - QUOTED

<b>Professional Indemnity (Refer Liability)</b>	U
<b>Sprinkler Leakage</b> For damage to property and additional costs arising therefrom. Often covered under Material Damage.	X
<b>Standing Timber</b> Cover on growing trees, including re-establishing and fire fighting costs.	U
<b>Statutory Liabilities</b> Legal costs, fines and penalties for breach of legislation, e.g., Resource Management Act, Building Act, Health & Safety in Employment Act.	X
<b>Strikes</b> Damage/abandonment of goods in transit.	U
<b>Terrorism</b> Stand-alone property terrorism & sabotage insurance.	U
<b>Travel</b> For New Zealand and overseas. Luggage, medical, cash, liability and specialised property covers.	X
<b>Trustees Liability</b> Indemnity for claims made against Trustees personally for wrongful acts.	U
<b>Wreck Removal</b> For costs incurred directly in maritime wreck removal under statutory duty.	U

## Proprietary Nature of Proposal

This proposal is prepared for the sole and exclusive use of the party or organisation to which it is addressed. Therefore, this document is considered proprietary to Jardine Lloyd Thompson Ltd (JLT) and may not be made available to anyone other than the addressee or person within the addressee's organisation who are designated to evaluate or implement the proposal. JLT proposals may be made available to other persons or organisations only with written permission of JLT.

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The value we create is driven through the personal determination of our 6,200 highly motivated and skilled people.

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## AUCKLAND TRANSPORT – PROPOSED INSURANCE COVER FOR POLICIES EXPIRING 30 APRIL 2012

	Policy Type	Against	Sum Insured	Excess	Details	Premium 2011/12
1	Property / Material Damage	Loss or damage to buildings, plant, etc. incl. from natural events	2011 /12 \$513.4million  2012 / 13 \$522 million (valuation underway)	\$100,000 General \$250,000 Wharves 1% value–Natural event  \$100,000 General \$250,000 Wharves 2.5% of sum insured – Natural event		\$198,700
2	Business Interruption (following damage incurred under the Property/Material Damage policy)	Loss of revenue Additional costs of working Claim prep costs Research costs  Loss of Revenue Additional costs of working Claim prep costs	\$3m – Ferry revenue \$61m – Parking (2yrs) \$50m – Additional costs \$2m – Claim Prep \$0.5m – Britomart rental  Suggested for 2012/13 \$3m – Ferry revenue \$32m – Parking (2yrs) \$50m – Additional costs \$2m – Claim Prep \$0.5m – Britomart rental	Per the AC Group Per the AC Group Per the AC Group  If possible retain the 2011/12 level	AT specific AC Group limit AC Group limit AC Group limit	\$17,621
3	Contract Works	Specific contract works above \$2m – otherwise covered under Property (#1)	Individually agreed	Individually agreed  Retain same as 11/12	Damage to buildings and plant under construction	Included in #1
4	Public Liability (including Employers Liability, Statutory Liability)	Legal liability for loss, damage, injury or death	2011 / 12 \$50 million  2012 / 13 \$50 million	Rail - \$100k Other - \$10k  Retain same as 11/12	Includes defence cost cover	\$92,000
5	Directors and Officers	Losses by 3 <sup>rd</sup> parties	2011 /12 \$30 million  2012 / 13 \$30 million	\$10,000  \$10,000	Includes defence cost cover	\$28,000

Risks and Insurance by Operational Area

Risk	Operational area									
	Rail	Bus	Ferry	Roads and Footpaths	On-Street Parking and Enforcement	Off-Street Parking	IT Equipment	Buildings	Vehicles	Policy
<b>Loss of asset</b>	Major assets are Rail stations, including Britomart, and associated "above track" assets. Stations are covered under material damage cover, for the cost of replacing the asset. Track and signals are not owned by AT and so no insurance is in place for these assets. Rolling stock is covered under the rolling stock cover. Note rolling stock is covered while it is moving and while it is stored at stabling facilities.	Major assets are bus stops, the northern busway and bus lanes. Bus stations are a relatively minor asset for the entity and are covered under the material damage policy as are all buildings. Roads are not regarded as a bus asset and while they can be insured normal practice is not to do so due to the historic cost of that cover.	Major asset is wharves and Ferries. Wharves are covered under Material damage. Ferries are owned by Ferry operators and so are not an AT asset.	Major asset is the roads and footpaths. Other assets include signs, street lights and traffic signals. Traditionally these assets are not insured as the spread of the assets provides a natural spread of risk for individual events. The risk to the entity would be from a single major incident caused by a natural disaster. due to the size of the asset and costs of cover this risk is usually not insured. If a disaster occurs costs are shared by the entity and NZTA.	Major asset is the parking meters and the supporting IT system. The IT assets are covered by the AC insurance programme of \$360m which covers a loss of \$20m on any one site anywhere in NZ. The individual on-street parking meters are not covered as individually they are not seen as being of adequate value and the excess for miscellaneous assets under the Material Damage policy has an excess of \$2,500 (which may have to go higher depending on the quotes received from insurers). Pay and Display machines in parking buildings are covered but also have the \$2,500 excess.	Major asset is the 5 existing parking buildings and 2 under construction. The built assets are covered under the material damage policy (buildings under construction by the contractor).	The IT assets are covered by the AC insurance programme of \$360m which covers a loss of \$20m on any one site anywhere in NZ. Current excess is \$100k under the AC Property policy rather than the lower excess applied to AT under other policies.	All buildings are covered by an AC Property policy. This includes all buildings whether in the AC Asset Register or AT's. AC have an excess of \$100k	Cover is under an AC Group policy with a \$10,000 excess	Material Damage. Vehicle. AC Property Contract Works
<b>Liability to 3rd parties</b>	Most likely to occur through contract works on Stations. As AT is not the "rail operator" liability for Train operations is principally covered by the operator (Veolia). AT could have some liability through safety of the Rail stations. This is covered through the Public liability policy.	As for Rail	As for rail.	Potential liability for contract works and damage to vehicles due to road faults. Vehicle damage is usually regarded as being a driver issue. Some obligations do arise and these are addressed through direct negotiation and on an event by event basis. For most asset failure AT would need to be found negligent to be liable for damages.	Remote possibility.	Remote possibility	Remote possibility	Remote possibility	Liability to 3rd parties where an AT vehicle is involved in any incident where loss occurs. 3rd party liability is limited to \$10m	Public Liability. Motor Vehicle. Directors and Officer's Liability
<b>Loss of Revenue due to incident or asset loss.</b>	Some risk covered if the loss of revenue occurs through damage to Britomart. A wider loss is not covered. This could occur if there was a major incident which affected services for an extended period.	Under contract revenue is retained by the operator.	Under contracts revenue is retained by the operator.	Roads and footpaths do not have an independent revenue stream.	Some risk to loss of IT service which would mean payment could not be made. Enforcement is a major component of the activity.	Covered through loss of profits insurance for damage to the building. Other issues causing non-physical loss such as electricity outage are not covered.	Potential for loss of revenue due to system failure. Covered under an AC Group policy	A number of AT owned or managed buildings are rented. The loss of revenue is covered by the AC Property policy.	Remote possibility	Business Interruption AC Property
<b>Increased costs due to incident or asset loss.</b>	Could occur due to loss of a rail station, derailment or damage to the rail line, or natural disaster. Increased costs would be incurred through a requirement to put on buses to ensure PT services continue to be provided. There would be savings in the rail operating costs due to Trains not operating. For an extended outage say 1 month increased costs would depend on the nature of the rail network outage. Cover is in place if the outage is due to Britomart damage but cover is not in place for other incidents such as derailments between stations - although this is an insurable event. In future loss of Electricity would be a potential major risk to rail services. The estimated fixed costs of rail are \$60m per year or \$5m per month.	Loss could occur due to road damage. The nature of the Roding network would allow detours to occur for minor issues. Major issues such as a natural disaster would be impacted by Roads. As Bus services are subsidised the loss of the service would mean that the operator subsidies would not be paid, also the contracts mean that increased costs for individual operators are at their risk. Increased costs to AT would be negligible.	Loss could occur due to damage to a wharf. Increased cost would involve a requirement to provide an alternative landing area for Ferry services. Obligation to meet this cost would rest with AT. In most locations other than CBD alternative facilities are not available. CBD would involve paying fees to Ports of Auckland. Increased costs following damage to an insured asset is covered under the AC Policy.	Increased costs would occur due to higher renewal and repair of faults in a major disaster. Those costs are currently not insured but it is anticipated that NZTA subsidy would be paid at higher levels to mitigate the costs.	Increased costs of service for provision of Parking services on-street is considered to be remote. Could occur in a natural disaster. In regards an loss of the asset this would impact on revenue rather than imposing an increased cost.	Increased costs and loss of revenue would be linked for off-street parking into a single net impact. See above	Potential for increased costs due to system failure. Covered under an AC Group policy	AT assets in an AC owned building are covered and are subject to lower deductibles than AC assets, however, that may change in the current insurance review following feedback from insurers and due to cost.	Funeral expenses, travel costs and other consequential losses are covered	Business Interruption. Vehicle. AC Property AC IT
	Not all Rail related events are covered	Most events are covered	Most events are covered	Roads and bridges are not insured	Most events are covered	Most events are covered	Most events are covered	Most events are covered	Most events are covered	