

Civic to the Rescue

Civic Roadside Recovery Programme continues to be a hit. This assistance programme is available at no cost to all Councils that insure their Motor Vehicle fleet and Property portfolio with Civic. It provides 24 hour 7 day a week roadside recovery and assistance for any Local Government owned vehicle in the insurance programme.

This year Civic Roadside Recovery received almost 200 call-outs ranging from simple flat battery problems to major accident situations where every variety of assistance is provided to ensure driver and passengers get to where they require and the vehicle is delivered to where it is best attended to.

Of course there are the other call-out causes: the mundane – flat tyres, keys locked in car; through to the unexpected – fuel problems. An increasing number of call-outs are as a result of the vehicle being filled with the wrong fuel, diesel instead of petrol and vice versa. Perhaps Councils can look at ensuring all filler caps are clearly marked showing the type of fuel required. With some drivers frequently required to operate different vehicles this problem can be quite real but with a little risk management problems may be avoided.

For more information on the Civic Roadside Recovery Programme please contact Christopher Munden, at Civic Assurance, christopher.munden@civicasurance.co.nz or by phone on 04 978 1251.

AM Best 'A' Rating for Civic Assurance

Leading insurance company rating agency, AM Best, has awarded Civic Assurance a financial strength rating of 'A (Excellent)' since 1995. Prior to 1995 there was no requirement for insurance companies to be rated.

Civic's very strong cash position and very low exposure to shares means that its risk through exposure to world stock market fluctuations is negligible.

Management

Tim Sole BSc MBA CStat FNZIM FIAA FNZSA ANZIIF (Fellow)
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Covered by Riskpool

Riskpool is not an insurance company; it is a risk-pool. Risk-pools are similar to insurance companies, but with the important difference that it is the members (usually through a board) who determine the levels of cover and contributions. And it is the members, not an insurance company, who determine the conditions of that cover and how claims will be dealt with.

Risk financing is a key function of Riskpool, but of equal importance is Riskpool's role in claims and risk management. Riskpool's Scheme Manager and Scheme Solicitor have unrivalled experience and expertise in the management of local government liability claims, and many are resolved by mediation. Expert claims handling is not just important to the council whose claim is being managed, it also minimises the possibility for all councils of unwanted legal precedents being set.

When no insurance company would offer cover for leaky buildings, Riskpool did so. Riskpool continues to offer leaky buildings cover of up to \$500,000 per council per year and is committed to continue with this for the June 2008 renewal. To address a frequency of claims issue, a minimum excess of \$50,000 applies to claims through the WHRS (Weathertight Homes Resolution Service).

Although showing overall deficits at the end of June 2006 and June 2007, it is expected that Riskpool will be back in surplus for the June 2008 accounts.

Following the changes to the Riskpool trust deed made in June 2007, Mr. Tim Sole, CEO of Civic Assurance and Mr. Ray Andrew, CEO of JLT New Zealand, stepped down from the Riskpool Board on 1 December. Replacing them are Mr. Jim Palmer, CEO of Waimakariri District Council, and Mr. Allan Morris, former Chairman of Willis New Zealand.

Civic Sponsorship

Civic is delighted to have been a sponsor of the recent SOLGM Branch Meeting held at Wairakei in December and equally proud to be key sponsors of the SOLGM 45 South 2008 Queenstown Retreat and the SOLGM 2008 Local Government HR Conference in Christchurch. Civic is also a sponsor of the Ingenium Conference being held later this year, the LGNZ Conference and this year's Annual SOLGM Conference.

Floods, Fires and Earthquakes

Floods, fires and earthquakes, not to mention storms, tornadoes and snow! After two years of benign claims, 2007 was a wake up call for the insurance industry, and that was without a 'big one'.

Three earthquakes in Auckland in February 2007 was a reminder that no council can afford to be complacent. At that time, of the last 15 major earthquakes in the world seven had occurred in places where they were not expected. Gisborne is a place that does expect earthquakes, and the 6.8 shake on 21 December was a reminder of that.

2007 was a year of weather contrasts, beginning with flooding for some and ending with a looming drought for others. Along the way, Taranaki suffered tornadoes and Mt Ruapehu's lahar was triggered by heavy rain which collapsed the crater rim.

The Far North snatched the headlines last year with some of the worst flooding in memory with both the Prime Minister and the Insurance Council chief executive calling for greater efforts to protect low-lying towns from floods.

July was the busiest month weatherwise. In addition to Northland's flooding, Taranaki had its tornadoes while Otago froze and Canterbury sat under snow. The regularity of the intensity of these climatic events continues to stun. Central and local governments globally are grappling with evidence that shows the planet is warming up and creating havoc. In Wellington a new centre is being set up to bring together research and expertise on climate change. Nine Crown Research Institutes and Canterbury and Victoria Universities have collaborated to establish the New Zealand Climate Change Centre which will work to ensure New Zealand's scientists tackle key issues associated with climate change and develop the best science-based solutions.

Despite many Councils' storm and flood prevention measures, last year's events show full insurance is a must if Councils are to be protected against the inevitable. Civic is well positioned to fully respond to each Council's particular insurance needs.

Interestingly, whilst there is much attention on climate causing damage, it is not the climate that had the major impact on Civic's claims results last year – it was the fires. After two large Northland flood claims the next twelve biggest claims bar one were all fires. Maybe this is where more prevention effort needs to be focused.

Study on KiwiSaver Superannuation Benefits

Evalueserve, an international market research company, has recently completed a council survey on KiwiSaver superannuation benefits sponsored by Civic Assurance. A summary of the results of this survey and comments are on pages two and three.

The survey response rate was just over 60% and all participants have been sent a copy of the full report. We think it is a useful piece of research and thank the respondents for participating.

Local Government Survey on KiwiSaver and Superannuation

The main conclusions of the report are:

- 21% of staff employed by respondents are part time.
- 12% of respondents' staff receive subsidised superannuation at an average of 4.5% of salary.
- 43% of respondents offered subsidised superannuation benefits, which 27% of their employees benefited from. At least 74% of respondents offering subsidised superannuation have been doing so for more than 10 years.
- 19% of respondents' staff had joined KiwiSaver at the time of the survey (December 2007). Respondents estimated that this figure will be 33% by the end of 2008.
- 60% of respondents' new staff are staying in KiwiSaver. For large councils this figure is 63% and for small councils 30%. 8 out of 53 councils surveyed had no new staff in KiwiSaver.
- 65% of respondents' employees are believed to have a good understanding of KiwiSaver. Belief in a sound understanding of KiwiSaver is strongly correlated with the number of new staff opting to stay in KiwiSaver after the 8 week compulsory term.
- 60% of respondents have selected a preferred provider for KiwiSaver, with Civic at 78% by far being the most favoured partner.
- 75% of respondents allow staff access in working hours to advice on KiwiSaver and other investment/insurance matters. Respondents were almost unanimous in believing that staff access to advice on KiwiSaver had worked well, other than one comment that said: "The consultant didn't seem to be particularly "independent" ".
- 61% of respondents surveyed will be contributing no more than the minimum 1% of salary from 1 April 2008 as the employer's contribution to KiwiSaver. Of those contributing more than 1%, nearly all will be contributing 4% of salary. Noticeably, of the councils choosing to contribute 1% of salary, very few currently subsidise superannuation benefits, but a majority of them have selected a preferred provider and also allow staff access to financial advice.
- 2% of staff uses salary sacrifice for their superannuation contributions. 72% of respondents have at least one staff member using salary sacrifice.
- 79% of respondents will not offset their contribution to KiwiSaver from 1 April 2008 to 31 March 2009 against salary increases or other benefits.
- Scoring 0% for 'not at all important' and 100% for 'very important', long-term security assurance (96%), past investment performance (89%) and simple to understand and administer (88%) were rated the most important factors in forming an opinion of a superannuation scheme. The role of superannuation trustees scored 79% for importance and having a non-KiwiSaver scheme to compliment the KiwiSaver scheme scored 62%.
- Most respondents agreed that within seven years KiwiSaver is likely to become compulsory.
- Civic's KiwiSaver scheme is well regarded with an average rating of 76%. For those respondents who allow staff access in working hours to advice on KiwiSaver, the average rating of Civic's KiwiSaver scheme is 79%.

Competitions on the go! for all of our Superannuation Members

We are currently running two competitions, both including a Big Draw Prize where the winners will win a trip to Sydney or Brisbane. The Sydney Big Draw Competition commenced on 15 November 2007 is for new KiwiSaver SuperEasy members and runs through until 15 May 2008. The Brisbane Big Draw Competition runs through until 30 June 2008 and is open to all existing Superplan and SuperEasy members and those "early bird" KiwiSaver SuperEasy members that joined prior to the Sydney Draw Competition commencing on 15 November 2007. Full details of these competitions will be listed on our website www.supereasy.co.nz.

Comments on Survey Research from Ian Brown, Superannuation Manager, Civic Assurance

Civic News: Why did Civic sponsor this research?

Ian: We thought with KiwiSaver employer contributions becoming compulsory from 1 April 2008 that councils would be considering their approach to this and any existing superannuation arrangements and therefore that such a survey would be helpful and timely.

Civic News: And are you pleased with the result?

Ian: Very much so. The research house did a very professional job and we were extremely pleased with a response rate of over 60%.

Civic News: Why do you think that some councils have not yet nominated a preferred provider?

Ian: Some councils have wanted to see how KiwiSaver was accepted before making a decision. Others have held the view that it is not for a council to decide where their employees should place their superannuation savings.

Civic News: Do you think councils should decide where their employees place their superannuation savings?

Ian: Well, they do for all the non-KiwiSaver schemes they're involved with. For KiwiSaver however, it is *always* the individual who makes the choice because an employer's preferred provider is no more than a default option for the employee. I personally think it is a good idea for an employer to select a preferred provider.

Civic News: Why do you think that?

Ian: In most cases they will have an existing relationship with a scheme provider, they are seen by staff to be taking an active interest, it can be easier for staff to understand using one scheme, easier for the employer to manage and if it allows staff to mix and match contributions between a KiwiSaver and non-KiwiSaver scheme all within the one package that is a fantastic option.

Civic News: What do you think are the most telling numbers in the research?

Ian: That 60% of new staff are going with KiwiSaver compared to just 19% of existing staff with 33% predicted for the end of 2008. Clearly KiwiSaver is going to continue to grow in popularity.

Civic News: And what do you think of the statistic that 65% of respondent's employees have a good understanding of KiwiSaver?

Ian: I think it is terrific that more people are becoming better informed about saving for their retirement. The biggest challenge I believe is helping people overcome that transitional "sitting on the fence - I will get round to it next month" attitude. Yes, do your homework and check out your provider but the best time to start your retirement savings has to be right now! It still worries me that 65% understand KiwiSaver yet only 19% are actually in it? Hopefully this will change and of course we need to consider how best to assist the 35% of staff who still do not understand KiwiSaver.

Civic News: Were you happy with a 76% average rating of KiwiSaver SuperEasy?

Ian: We think we have a really good scheme so yes we were and I think there are many Council HR/Super Personnel that can also take credit for this result.

Civic News: Any parting comments?

Ian: Whether you are 18, 38 or 58, provided you can afford the 4% or 8% and are happy to lock it away until age 65 I think KiwiSaver is fantastic!

Stop Press: Superannuation Scheme Improvements

Introducing Lower Charges and a New Fund to our SuperEasy Schemes: KiwiSaver SuperEasy, SuperEasy At Work & Locked-In SuperEasy

Lower Management Fee: From 1 January 2008 our management fee for all of our funds (including the soon to be introduced Conservative Fund) is a very low 0.5% pa. Previously for our Growth, Balanced and Income Funds the charge was 0.75% pa.

New Conservative Fund: For the KiwiSaver investor who is looking to take advantage of the first home deposit scheme and has, say, a 3-5 year time horizon, we are introducing the new option of a Conservative Fund in the first half of 2008.