

Ref No 029	Building Insurance Policy	V1 Current
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1. PURPOSE

The purpose of this policy is to outline the rationale for allocating different levels of insurance for City owned buildings and/or improvements and to formalise the requirement for Lessees of City buildings to reimburse the City of Busselton for the cost of insurance.

2. SCOPE

This policy applies to all City owned buildings and / or improvements located in the City of Busselton that are covered by the City insurance policy.

It also applies to all community and sporting groups and commercial lease holders of City owned buildings.

3. POLICY CONTENT

The Council has determined that a strategic approach is required with regards to levels of building insurance to ensure that the best value for money is obtained for each and every building covered.

When determining the appropriate level of insurance to be applied to a particular building, certain information pertaining to this building needs to be obtained so that an informed decision can be made. This will also ensure that all buildings are assessed on an individual basis as well as within the context of the entire asset portfolio.

Buildings where practicable, should be assessed on the basis of their Service Level Hierarchy (SLH) explained in more detail below, current overall condition which is based on an asset management assessment and whether there is an alternative should the building be no longer in operation.

Service Level Hierarchy

A Service Level Hierarchy (SLH) for buildings has been developed as part of the Building Asset Management Plan adopted by Council in December 2010 and has been used as the basis for determining insurance levels for buildings.

The SLH defines an appropriate hierarchy for all Cities owned and managed buildings, which includes leased buildings and further defined below.

The buildings are to be assessed under the following three criteria;

Importance to the community

A rating based on perceptions of community expectations of services provided the scores are allocated between:

- 1 Very important
- 2 Important
- 3 Fair importance
- 4 Low importance

5 Not important

Criticality to the operations of Council

How critical a building is to the day to day operations of the City the scores are allocated as follows:

- 1 Very critical
- 2 Critical
- 3 Fair criticality
- 4 Low criticality
- 5 Not critical

Usage Factor

An assessment of the usage level of each building including workforce and public use, the scores are allocated between:

- 1 High usage
- 2 Moderate usage
- 3 Low usage
- 4 Some degree of usage
- 5 Little or no use

Each Criteria is given an equal weighting and points are allocated according to the score i.e. score 1 = 1 point, 2 = 2 points, 3 = 3 points, 4 = 4 points and 5 = 5 points.

Points are allocated up to a maximum of fifteen across the three criteria. The scores can then be broken down into five (5) service level hierarchies for buildings as a guide for determining the Service Level Hierarchy.

Additional to this, leased buildings (both community and commercial) can be allocated into a hierarchy six (a, b or c) dependant on the City's level of obligation towards these buildings.

This will assist further in the allocation of insurance levels.

Service Level Hierarchy One (1)

A building that scores between a 1 and 3 is identified as core service, high usage and high public profile asset to be in very good condition operationally and aesthetically. A building that falls into this category would be insured for ~~replacement~~/reinstatement value.

Service Level Hierarchy Two (2)

A building that scores between a 4 and 5 is identified as core service, moderate usage and /or moderate public profile asset to be in good / very good condition operationally and aesthetically. A building that falls into this category would be insured for ~~replacement~~/reinstatement value.

Service Level Hierarchy Three (3)

A building that scores between a 6 and 7 is identified as core service, low usage and/or public profile asset to be in serviceable / good condition operationally and aesthetically. A building that falls into this category would generally be insured for [replacement](#)/reinstatement value and in some instances indemnity value.

Service Level Hierarchy Four (4)

A building that scores between an 8 and 10 is of non-core service, some degree of usage and / or profile, condition only needs to meet minimal operational and statutory requirements. A building that falls into this category would generally be insured for [replacement](#)/reinstatement value and in some instances indemnity value.

Service Level Hierarchy Five (5)

A building that scores 11 plus is of non-core service, little or no usage and / or profile, it is unoccupied or surplus to requirements. A building that falls into this category would generally be insured for demolition value.

Service Level Hierarchy Six (a)

Commercial and community leased buildings for which the City is responsible to maintain and renew either directly or through coordination of funding programs. Due to the lease obligations a building that falls into this category would be insured for [replacement](#)/reinstatement value.

Service Level Hierarchy Six (b)

Commercial and community leased buildings for which the City is responsible for the structural integrity only (tenant or lessee responsible for day to day maintenance and minor renewal). Due to the lease obligations a building that falls into this category would be insured for [replacement](#)/reinstatement value.

Service Level Hierarchy Six (c)

Commercial and community leased buildings for which the City has no obligation with respect to the ongoing maintenance and renewal of the building i.e. not required to have a yearly budget allocation for these buildings. Due to the lease obligations a building that falls into this category would be insured for [replacement](#)/reinstatement value.

Insurance Levels

Each building, once assessed as per the requirements of this policy will be allocated an insurance level appropriate to its SLH, current condition and planned future use.

These insurance levels are as follows;

Replacement / Reinstatement: cost for full replacement of a building to current day standards including provisions for contingencies such as architects and engineers fees, removal of debris, extra cost of reinstatement, extinguishment costs and miscellaneous structures and equipment.

Indemnity Only: The “market value” of the building only. In the event of a total loss then that amount would be the maximum amount payable, there will be no consideration of replacing or rebuilding the asset in the processing of the claim.

This cover would be valid when it is deemed that a certain building would not be rebuilt in its current form and/or location, therefore doesn't require full replacement / reinstatement insurance cover.

Demolition Only: This value can be set by the Council, nominating a value to a certain building based on previous quotations, actual costs or an estimation of the probable costs to demolish it after a significant damage event.

No Insurance: Council may elect in some instances not to insure a building where other insurance cover already exists or the situation dictates that insurance cover is not necessary. This option would not be utilised in many instances.

Buildings Valued at under \$50,000 (excluding leased buildings): With the exception of Leased Buildings, the City will not insure buildings valued at under \$50,000, unless the CEO considers it necessary due to special circumstances to take out a separate policy of insurance in respect to a particular building. The City believes the City's existing Building Reserve sufficiently provides for the insurance needs of such buildings.

Valuation of Assets

To ensure that all building values are consistent with current replacement costs and / or market values, the City will undertake a revaluation carried out by a Certified Practising Valuer every three (3) years. This value will then form the basis of each building's insurance cover and will be indexed each financial year by the Perth Consumer Price Index (CPI) until such time as an updated valuation is undertaken.

Leased Building

All leased buildings and improvements are to be insured for replacement/reinstatement value. Lessees are required to reimburse the City to the full extent of the cost of insurance for Leased Buildings.

An exemption is applied to not for profit community and sporting groups leasing City owned or managed buildings that are listed with the Heritage Council of WA with conservation plans. A concession of 50% of the insurance premium is to be applied. No concession will be granted for commercial tenants.

Review

The policy is to be reviewed every three (3) years to coincide with the review of the Building Asset Management Plan and the re-valuation of City Buildings.

Policy Background

Policy Reference No: 029

Owner Unit – Asset Management

Originator – Coordinator, Asset Management, Engineering and Works Services

Policy approved by – Council

Date Approved – 24 July, 2013

Review frequency – Every 3 years

History

Council Resolution	Date	Information
C1307/192	24 July 2013	Version 1