



ANGLICAN DIOCESE OF GRAFTON

POLICIES AND PROCEDURES

SUBJECT: AGGREGATE DEDUCTIBLE INSURANCE FUND		REFERENCE NUMBER REG-005
DATE APPROVED 21 June 2023 by Bishop-in-Council		VERSION 2 replacing Original dated 24 February 2022
IMPLEMENTATION DATE 1 May 2023	REVIEW FREQUENCY As required but at least 3 yearly	RESPONSIBLE FOR REVIEW Bishop-in-Council

1. PURPOSE

To communicate the principles for the operation of the Aggregate Deductible Insurance Fund which is used to reduce the impact of the policy excess of the Industrial Special Risk insurance policy purchased by the Anglican Diocese of Grafton on behalf of its various entities.

2. SCOPE

- 2.1 This policy applies to all entities that participate in the Diocese's Industrial Special Risk (ISR) insurance policy such as Ministry Units and Anglicare North Coast.
- 2.2 This policy does not apply to Industrial Special Risk (ISR) insurance policy procured by the Diocese for its schools. The Schools' ISR policy is structured differently to the ISR policy purchased for the Diocese generally and the need for participation in an Aggregate Deductible Insurance Fund is less apparent.

3. DEFINITIONS

"Aggregate Deductible Insurance Fund (ADIF)" – the special fund established to assist with the cost of property insurance claims by reducing the impact of the Excess involved in such claims.

"Diocese" – the Anglican Diocese of Grafton.

"Diocese's Insurance Officer" – a Diocesan employee with the responsibility of liaising with Diocesan entities on insurance matters and ensuring active matters are reported to the Diocese's Insurance Broker and/or relevant insurer, as appropriate.

"Excess" – the usual cost of losses borne by the insured before the insurer becomes liable for meeting further losses. The figure is subject to change as a result of negotiation of terms as insurance policies are renewed.

"Special Excess" - the cost of losses borne by the insured before the insurer becomes liable for meeting further losses for events specified in the insurance policy as having a higher excess or deductible. Examples may include flood, coverage of abandoned buildings etc.

"Giordano Business Consulting (GBC)" – the company providing financial management services to the Diocese.

“Industrial Special Risks insurance (ISR insurance)” – insurance purchased to cover property damage and associated risks.

“Ministry Unit” – any division of the Diocese constituting a separate geographical area (Parish/Transitional Ministry District) or sphere of ministry (Chaplaincy).

4. PRINCIPLES

- 4.1 Many entities of the Diocese require a low property insurance Excess as they lack the financial capacity to cope with a commercial level of Excess in the event of one or more instances of property damage in any year.
- 4.2 As the commercial insurance market is reluctant to provide a low Excess for property insurance, or provides a low Excess at a substantial cost, it is prudent for the Diocese to purchase insurance on commercial terms and provide financial protection to its entities by establishing a special fund (Aggregate Deductible Insurance Fund) to meet most of the Excess.
- 4.3 The ADIF is established by contributions from participating entities in proportion to the replacement value of the property insured on behalf of that entity.
- 4.4 While the ADIF protects entities of the Diocese from the full effect of the Excess, it is not prudent to eliminate the Excess entirely. Elimination of the Excess would be a disincentive to risk mitigation strategies.
- 4.5 Where a Special Excess applies or a property is excluded from an aspect of insurance coverage, it may be appropriate to financially support the Ministry Unit in such circumstances. However, the level of support is limited to ensure the sustainability of the ADIF and to avoid being a disincentive to risk mitigation strategies.
- 4.6 The ADIF is to be of a size where it has sufficient resources to meet the demands of a year in which there is an exceptionally high number of instances of property claims (e.g. 1 in 20 years level of claims)
- 4.7 Claims on the ADIF will be successful if they otherwise meet the criteria for a claim on the current ISR policy.

5. DETAILS

5.1 MAINTAINING THE FUND

- 5.1.1 The ADIF shall be managed by Giordano Business Consulting (GBC) with the funds being on the Balance Sheet of the Anglican Diocese of Grafton. Each transaction for the Fund shall be a Balance Sheet adjustment and not impacting the Diocese’s Profit and Loss Statement.
- 5.1.2 Concurrently with the renewal of the ISR policy, the required size of and contributions to the ADIF shall be calculated by GBC.
- 5.1.3 Contributions to the ADIF shall be proportional to the replacement value of insured property held by that entity.
- 5.1.4 Subject to Bishop-in-Council approval of the overall size of the ADIF, all participants in the Fund shall be invoiced for their contribution.

5.1.5 The balance of the ADIF at the end of each insurance year shall remain in the Fund for use in future years.

5.1.6 The ADIF is maintained specifically for the purposes set out in this policy.

5.2 CLAIM MANAGEMENT

5.2.1 All property insurance claims are to be supported by a completed Property Insurance Claim Form (Schedule A) and any further information requested by the Diocese's Insurance Officer, Insurance Broker or representative of the Diocese's ISR insurer.

5.2.2 Where a claim is accepted under the ISR policy, the ADIF aspect of the claim is automatically accepted.

5.2.3 Where a claim does not exceed the Excess of the ISR policy, the Diocese's Insurance Officer may seek the advice of the Diocese's Insurance Broker as to whether the claim would have been accepted under the ISR policy except for the financial size of the claim. If the Broker so advises, the claim on the ADIF is accepted.

5.2.4 In circumstances where the representatives of a Diocesan entity are of the view that their claim on the ADIF has been incorrectly denied, the advice of the Diocese's Insurance Broker shall be sought by GBC. The Broker's advice in such matters is considered final.

5.3 PAYMENTS

5.3.1 The Diocesan entity holding a property pays the first \$2,000 of costs relating to insurable property damages.

5.3.2 As soon as possible after the finalisation of any property claim, the Registrar, having made consideration relative to 5.3.4 and being satisfied as to the amount to be paid, may give written authorisation so that the Diocese's Insurance Officer remits to the Diocesan entity from the ADIF a payment for insured costs incurred above \$2,000 and up to the ISR policy Excess, along with any payment due from the ISR policy for insured costs above the Excess.

5.3.3 An exception to 5.3.2 above is where a Special Excess is in place or the property is excluded from coverage available to other Diocesan properties. In such cases, the maximum payment from the ADIF is \$60,000.

5.3.4 Any payment from the ADIF is contingent upon the liquidity of the Fund. The Registrar may, in circumstances where forecasts indicate that the ADIF is likely to become illiquid, limit or delay payments from the ADIF to preserve its liquidity.

5.4 OTHER USES OF THE FUND

5.4.1 The Bishop-in-Council may determine by resolution to utilise ADIF funds for purposes other than described above. Prior to resolving to utilise ADIF funds for another purpose, the Bishop-in-Council shall consider whether the following conditions are satisfied:

- Sufficient funds will remain in the ADIF so that its primary purpose can be met;
- The intended use has a positive impact on property management, risk management or the insurability of Diocesan property; and
- The intended use creates a general benefit across all insured Diocesan entities.

6. FORMS

6.1 Property Insurance Claim Form (Schedule A). This is available for download on the website of the Diocese.

