

Committee(s):	Date(s):
Finance Committee	25 March 2014
Subject: City Re Limited – Governance Changes	Public
Report of: The Chamberlain	For Decision
Summary	
<p>The City established a Reinsurance Captive Insurance Company, City Re Limited, which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure.</p> <p>This report provides information on the financial performance of City Re Limited since its creation on 24 December 2010, for information, and also recommends some governance changes for agreement.</p> <p>The Chairman of the Finance Committee and the Chamberlain, whilst remaining in their positions, act as the City’s Directors on the Board of City Re Limited. The Corporate Treasurer acts as the ‘Alternate Director’ to both in case they are unable to act. With the pending retirement of both the Chamberlain and the Corporate Treasurer, Members are being recommended to agree their replacements.</p> <p>Recommendation:</p> <p>It is recommended that the Finance Committee agrees to the replacement of Chris Bilsland and Paul Mathews with their successors, Peter Kane and Kate Limna, as Director and Alternate Director respectively, effective from the date of their retirements.</p>	

Main Report

Introduction

1. The Finance Committee, at its meeting on 26 October 2010 approved the principle of establishing a Reinsurance Captive Insurance Company (the Captive), and on 24 December 2010 such an entity, City Re Limited, was created, based in Guernsey where the management expertise for running such operations exist.
2. Members may recall that the Captive provides a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure. Effectively, the Captive allows the City to participate in its own insurance placement and to capture underwriting profits with a known, capped downside financial risk.

Main Characteristics and Financial Performance

3. The main elements of the Captive are that:
 - The City Captive covers the first £250,000 of each and every property claim, effectively leaving the main insurers to cover any greater loss.
 - The Captive receives a reinsurance premium of approximately £1.7m per annum.
 - The maximum payable (downside) by the City Captive is limited to £250,000 per annum above the insurance premium received.
 - Based on an actuarial analysis of the last 10 years' claims experience of the City, the value of claims likely to be met by the Captive in an average year would be £1.1m.
 - The Captive does not cover any terrorism risk which continues to be covered by the insurers and re-issued with Pool Re.

4. The actual financial performance in the initial accounting period, from 24 December 2010 to 31 March 2012 was a net profit of £997,747 and a dividend of this amount was paid over to the City. For the second accounting period from 1 April 2012 to 31 March 2013 a dividend of £810,833 was declared by the Board of Directors of City Re Ltd and paid over to the City in September 2013. The financial performance for 2013/14 will be reported to the Finance Committee in July 2014.

Governance

5. The Chairman of the Finance Committee and the Chamberlain are the City's Directors of the Board of City Re Limited, both appointments being operative 'for the time being' whilst the positions are held. The Chamberlain's Corporate Treasurer acts as an 'Alternative Director' to cover as necessary for the Chairman or Chamberlain.

6. With the pending retirements of the present Chamberlain (on 5 May 2014) and Corporate Treasurer (on 31 March 2014) it is now necessary for Members to agree that their successors be appointed in their place, with Chris Bilisland and Paul Mathews being replaced by Peter Kane and Kate Limna respectively

Chris Bilisland
Chamberlain