



COMMUNIQUE

Newsletter of the
New Zealand Architects Co-operative Society Ltd

November 2006

NZACS RISK MANAGEMENT SEMINARS

A successful series of six Risk Management Seminars nationwide have just concluded under the expert presentation of Graham Strez. These were well supported by Members who will have gained much from them. This support is greatly appreciated by your Directors who present these Seminars as part of their commitment to Members to assist in improving the manner in which you conduct your practice. These Seminars are much more than points accumulators for NZRAB ongoing registration purposes and should be seen in that light. They are about improving the manner in which Members practice.

NZACS, as the vehicle that accesses your Professional Indemnity Insurance, provides this service to Members no other provider is currently doing or likely to provide. They just don't have the same level of either expertise or experience that NZACS can bring, particularly from an architectural/building industry perspective.

INSURANCE RENEWALS

Proposal forms for the 2006/2007 insurance year have been issued to Members for completion by 20 November, the date by which these should be received by Aon New Zealand Ltd. Your current insurance expires at midnight on 30 November 2006 and all new insurances have to be in place by this date to ensure continuity of cover.

So don't put off completing the proposal, as many of you seem to do, and get them in. Don't jeopardize your insurance.

NEW COVER OPTION OFFERED

At their last meeting the Directors agreed to introduce a new special "Run Off" cover option for those Members who put their registration into abeyance for any period of up to five years. This new feature is directly linked to the NZ Registered Architects Board's (NZRAB) Voluntary Suspension provisions.

NZACS will offer a single ("one off") reduced Subscription Cost for this cover at 75% of the last annual subscription. Following the completion of that first 12 months of the special "Run Off" cover, Members will then be entitled to a Complimentary "Run off" Cover for the second and subsequent years to a maximum period of a further 4 years.

The Complimentary "Run Off" Cover will be for a reduced Limit of Indemnity of \$200,000 for any one claim and for all claims made in the aggregate during the 4 year period of voluntary abeyance.

As this cover option is directly linked to the *NZRAB* Voluntary Suspension provisions, it will only apply provided the Member does not undertake any architectural work during the abeyance period. Further to qualify for this option the Member must have been continuously insured under the *NZACS* PI Scheme for a period of at least *3 years*.

Members need to apply in writing for this cover option and have fully paid their annual subscription at the time of application. To support their application Members are advised it would be beneficial to provide *NZRAB* documentation approving their Voluntary Suspension.

It is important to note that Members can immediately resume full insurance cover at anytime.

This new feature again demonstrates that *NZACS*, being directly linked to the architectural profession, is in a position to make such enhancements that are not otherwise available from the insurance market.

STATUTORY LIABILITY INSURANCE

As Members are aware *NZACS* offers a number of Optional Companion Liability Covers. One which is coming increasingly into prominence is the Statutory Liability Insurance. This policy provides insurance cover for fines, penalties and defence costs arising out of breaches of certain statutes and their regulations. The Resource Management Act (*RMA*) is just one piece of legislation which is having an increased affect on the profession.

The *RMA* imposes restrictions on common law rights for landowners to use land and water as they wish. These restrictions include limits on the use of land, certain uses of lakes and rivers, water discharge of contaminants and the duty to avoid unreasonable noise.

If there is a breach of those restrictions, a local authority may take a number of actions to achieve compliance and /or penalise the offender. Those actions include Abatement Notices, Enforcement Orders, Infringement Notices and even Prosecutions.

These issues alone should be enough to make the Statutory Liability Insurance companion cover a necessity for prudent members, rather than just an option.

NZCAS CPD QUESTIONNAIRE

The Directors were absolutely delighted by the strong response received to the CPD Questionnaire with 225 members responding. A big "Thank You" to all those Members who took the time and trouble, and that is very much appreciated. Such a response shows the continuing interest in *NZACS* and points the way to the manner in which *NZACS* can continue to bring benefit to Members.

To highlight this, with regard to Question 3, "What in particular would you like to know about?" 66 separate issues were raised while in response to Question 10, "What other topics would interest you?" 33 topics were requested. So there is plenty of material there to work on.

PI INSURANCE AFTER RETIREMENT

Arising from the Questionnaire the issue of cover after retirement from practice was one of the issues raised. (Note: Full information about the options appears in clauses 3.8 to 3.14 of your Manual).

Normal "Run Off" Cover

Where an architect has been in practice as a partner or director of a company and that architect retires, there is an ongoing potential liability arising from alleged acts of professional negligence committed whilst in practice, so it is considered very important that normal "Run Off" cover be taken out.

The most economic way of purchasing normal "Run Off" cover under these circumstances is to have it purchased by the continuing partnership or company as an extension of its own ongoing cover.

For an architect who has practiced as a sole practitioner then one option is to take normal run-off cover at the previous or an increased level of indemnity. Should the retired architect purchase run off cover at the previous or increased level the cost in the first year is usually 90% of the subscription currently applicable. This cost will generally reduce in equal increments over 5 years to a modest minimum subscription thereafter.

Complimentary "Run-Off" Cover for Retired Architects

NZACS, as part of its commitment to long term Members, offers Complimentary "Run Off" cover to the retired principals of Member firms who have previously held continuous cover for a period of *not less than 10 years*, and who are unable or do not wish to use one of the options mentioned above.

In these circumstances the Directors, at their discretion, may provide cover to a level of \$200,000 (any one claim and in the aggregate) during retirement and up to two years beyond the date of death. The deductible for each claim and every claim (costs inclusive) is \$2000.

KIWISAVER IS COMING

KiwiSaver is the Government sponsored work-based savings scheme which will come into effect from 1 July 2007. All employers will be required to offer a superannuation scheme to any new employees, from that date, and deduct employee contributions and forward them to the IRD together with PAYE deductions.

Employees will be automatically enrolled when they begin a new job after 1 July 2007, but can opt out from the end of week 2 to the end of week 8. Enrolment is not automatic for workers under 18, temporary employees (*less than 4 weeks duration*) or existing employees.

Employers with existing superannuation schemes can be exempt from automatic enrolment provisions provided certain conditions are met.

Contributions start from first pay day with the standard contribution rates being 4% or 8% of salary. Contributions may be made by the employee and /or employer. An employer contribution will be optional. A contribution holiday (3 months to 5 Years) can be taken after contributing for 12 months. All contributions sent to the IRD will be forwarded to a Preferred KiwiSaver Provider.

The Professionals Superannuation and Benefits Group Fund (PSBG) is looking seriously at becoming a Preferred KiwiSaver Provider. This is currently "work in progress" so Communiqué will keep you informed on progress.

THE PROFESSIONAL SUPERANNUATION AND BENEFITS GROUP FUND (PSBG)

The PSBG was established on the initiative of NZACS some 30 years ago, in 1976, together with the Engineers and Surveyors groups. NZACS appoints two of the six Directors, currently Peter Mills of Christchurch and Colin Orchiston of Wellington, with the other two similar organisations also appointing two directors each.

Management of the fund is most cost effective. All operating expenses are met from investment income and not by way of deduction from a member's account. There are no entry fees, exit fees, annual fees, commissions or any other charges. This means the total value of member's contributions are credited in full. In addition there are no minimum or maximum limits on contributions. There are no commission sales people as these commissions would only increase costs which ultimately would be borne by members.

PSBG holds a well balanced and conservative portfolio.

Being a true co-operative PSBG has the sole aim in providing a quality service focused on the needs of its members. This is amply demonstrated by the returns for the year ended to 31 March 2006, where a Gross Return of 19.41% per annum before tax was achieved; with a Net Return of 13.00% per annum after tax. Such returns out perform the majority of established commercial superannuation fund providers.

It is hard to understand why the profession has not paid greater attention than it has to the PSBG. The KiwiSaver scheme could well be the catalyst that sparks architects into action, not only to support the PSBG, but to invest in a well established, well managed, and highly successful superannuation fund.

NZACS WEBSITE – www.nzcas.co.nz

A reminder to members about our Website. On the website there are a considerable number of Risk Management articles from past Communiqués which provides Members with a great resource. Risk Management is vital in practice today so don't forget to refer to it. Another benefit of NZACS membership which is a resource that is not provided from any other source, which just goes to show NZACS is well worth supporting.

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We welcome contributions from readers, on how they manage risk.