

Agenda Item 130: Programme budget for the biennium 2012-2013

15 March 2013

**Mr. Yukio Takasu, Under-Secretary-General
Department of Management**

Introductory Statement to the Fifth Committee

Revised estimates relating to the programme budget for the biennium 2012-2013
for remediation work in the aftermath of Storm Sandy (A/67/748)

Mr. Chairman,
Distinguished delegates,

I am pleased to present to you today the Secretary-General's report on the revised estimates relating to the programme budget for the biennium 2012-2013 for remediation work in the aftermath of Storm Sandy. I am grateful to the ACABQ for its detailed consideration of the report.

The Storm Sandy in late October last year caused significant damage throughout its landfall in the Host Country, including flooding damage at Headquarters. Despite the severity of the storm and the resulting flooding, the core infrastructure of the United Nations premises was intact. But significant damages to plant and equipment were sustained on the 3B and lower levels of the basements, most notably to the chiller plant, operations related spaces and printing facilities.

Fortunately, the Organization has robust coverage under two insurance policies: the builder's' risk insurance policy, with coverage of \$100 million, for construction under the Capital Master Plan, and the Organization's global property

insurance policy, with coverage of \$50 million, for buildings managed by the Office of Central Support Services.

We estimate the total requirements arising from the remediation work and mitigation measures are estimated at \$154.9 million. This amount is comprised of a preliminary estimate of claims to be submitted under the builder's risk policy of \$87.9 million, a preliminary estimate of claims under the property policy of \$61 million, and an estimated amount of \$6 million for mitigation measures which are not covered under insurance.

Of the \$154.9 million, it is anticipated that \$137.9 million will be recovered under the two insurance programmes in due course. Pending outcome of insurance claim recovery process, it is probable that provisionally estimated \$11 million for content and equipment, exceeding the insurance coverage, will not be recoverable and could result in a request at a later date.

However, the insurance claims process will be complex and lengthy. While expenditure for remediation activities will be mostly incurred during 2013, the majority of recoveries under the insurance will be received in the biennium 2014-2015. We therefore presented proposals to seek commitment authority and meet cash flow challenges (use of Working Capital Fund and a multi-year special fund to manage expenditures), pending completion of recoveries from the insurers.

With regard to the mitigation measures, the After-Action Review, which was led by the Chef de Cabinet, included a recommendation to reduce vulnerability of the Headquarters to future flooding events. These enhancement measures are not

covered by our existing insurance programmes, because the insurers only pay for a “like-to-like” replacement, but not for any enhancement above those legally mandatory. Those measures include the waterproofing of critical electrical rooms on the 3rd level of the basement, the relocation of the electrical rooms from the 4th and 5th levels of the basement to the 3rd level of the basement, and the relocation of automatic fire pumps from the 3rd level of the basement to the 2nd level of the basement.

We consider it prudent to invest \$6 million and to undertake these remedial works now. The level of available insurance coverage for flood damages in the New York area was significantly reduced after Sandy. The recent renewal of the Global Property Insurance policy reduced coverage in 2013 of only \$20 million after the deductible (as compared to the previous coverage of \$50 million). As a result, the United Nations will bear the risk of significant (uninsurable) financial exposure if it does not undertake these measures now.

Accordingly, we request approval of the estimated amount of \$6 million for the biennium 2012-2013 in respect of improvements.

In conclusion, I would like to summarize the actions we recommend be taken by the Assembly:

- Approval of the estimated amount of \$6 million under section 34 of Program Budget for the biennium 2012-13;
- Authorization to the Secretary-General to enter into commitment in the biennium 2012-2013 up to \$131.4 million;

- Note that most costs of the remediation work can be covered by insurance, but an estimated amount of \$11.1 million may be required in addition to the resources requested under section 34 of Program Budget for the biennium 2012-13;
- Authorization to the Secretary-General to use the Working Capital Fund to cover the payments on a cash flow basis; and
- Endorsement of the proposal of the Secretary-General to establish a multi-year special account for insurance recovery and expenditures.

Thank you, Mr. Chairman.

Revised estimates for remediation work in the aftermath of Storm Sandy

(Millions of US dollars)	Estimated resource requirements	Maximum insurance coverage	Expected recovery by insurance*	Additional requirements
Builders' Risk Insurance	\$87.9	\$100 .0	\$87.9	N/A
Global Property Policy – flood class	\$61.0	\$50 .0	\$50.0	\$11.0
Mitigation measures	\$6.0	N/A	N/A	\$6.0
Total	\$154.9		\$137.9	\$17.0

* As at 13 March 2013, a total of \$17.5 million has been received from insurance companies as an advance. The request for commitment authority is revised to \$131.4 million (\$87.9 million plus \$61 million less \$17.5 million).