

2 INSURANCE PREMIUMS

FILE REFERENCE INT1947554

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RECOMMENDATION

That Council retrospectively approve payment of the following annual insurance policies:

1. MAV WorkCare Self-Insurance Scheme, for a premium of \$587,021
2. MAV Liability Mutual Insurance (LMI) including Public Liability, Products Liability and Professional Indemnity insurance for a premium of \$403,334.80, and
3. JLT Discretionary Trust, Industrial Special Risks (for a property portfolio valued at \$455,636,557) for a premium of \$365,754.75

Attachments

Nil.

EXECUTIVE SUMMARY

Council's annual insurance premiums for the 2019-20 financial year require authorisation for payment as these costs are in excess of the CEO's delegation limits.

BACKGROUND

Council must ensure that it has appropriate insurances in place to protect itself against any potential loss through fire, flood or other catastrophic event. Council must also ensure that it has appropriate Public Liability insurances in place. Council is a member of the MAV Workcare self-insurance scheme and the MAV Mutual Liability (MLI) Scheme.

Over the past twelve to twenty-four months there has been a clear shift in the insurance market, resulting in many insurers seeking increased premiums, higher deductibles and in some cases insurers declining to provide terms based on certain risk profiles and lack of profitability. Globally, insured catastrophe losses in 2017/18 were the highest year on record. Hurricanes Harvey, Irma and Maria, together with the earthquakes in Mexico and the wildfires in California, accounted for a significant percentage of insured losses.

These losses which have directly affected local insurers via reinsurance premiums have now been further exacerbated through the Townsville Floods and Sydney Hail Storm in 2019. These two events are primarily responsible for "local industry's underwriting profit falling by 32.4% in the year to March 31 2019 according to the latest APRA data. The overall result is an increasing pricing cycle in the insurance market. Insurers are reducing their capacity, reviewing their underwriting appetite and increasing premiums to arrest the underwriting results. In many cases substantial changes are being made where claims experience is poor, risks are considered unattractive or withdrawing from industry sectors where they no longer want to participate.

These uncertain times have resulted in increases in insurances premiums in the order of 16%

POLICY IMPLICATIONS

Nil

RELEVANCE TO COUNCIL PLAN

Ensuring that Council has appropriate levels of insurance in place are relevant to the Council Plan goal of achieving long-term financial sustainability.

CONSULTATION/COMMUNICATION

No consultation has been undertaken in regard to these premiums.

A competitive process has been undertaken in regard to the Industrial Special Risks policy that provides coverage for the Council's property portfolio valued at \$455,636,557. The JLT (Municipal Asset Protection Plan) Discretionary Trust Arrangement (JMAPP) was the only tender received.

FINANCIAL AND RESOURCE IMPLICATIONS

The 2019-20 operating budget includes sufficient funds to cover the cost of these insurance premiums.

CONCLUSION

Council must ensure that it has appropriate insurances in place.

The MAV WorkCare Self-Insurance Scheme, MAV Liability Mutual Insurance (LMI) including Public Liability, Products Liability and Professional Indemnity insurance and the JLT Discretionary Trust, Industrial Special Risks Scheme provide the best available insurance coverage for the Council. As these policies were required to be entered into by 1 July this report is seeking the retrospective approval of the Council.