

2.2 PUBLIC LIABILITY, PRODUCTS LIABILITY AND PROFESSIONAL INDEMNITY INSURANCE SERVICES

(EM: INSUR22)

Responsible Director: Leigh Harder

RECOMMENDATION

That Council renews its membership of the mutual liability insurance scheme with Civic Mutual Plus for the period 30 June 2008 to 30 June 2009 for the sum of \$327,505.20 (GST inclusive).

INTRODUCTION

This report is for the renewal of Council's public liability, products liability and professional indemnity insurance cover.

Council's current cover is provided through a local government "owned" mutual liability scheme. The scheme is operated by the Municipal Association of Victoria (MAV) and managed by Jardine Lloyd Thompson Insurance Brokers and is known as Civic Mutual Plus (CMP).

The scheme was established in 1993 when the industry was having increasing difficulty finding commercial insurers willing to quote on local government liability. The scheme remains exempted, by Ministerial approval, from the requirements of the Local Government Act to advertise financial arrangements over \$100,000 in value.

The scheme provides cover of up to \$400 million per claim for public and products liability and an aggregate of \$300 million professional indemnity in each insurance year. The scheme self-insures for the first \$5 million of claims payable from a pool of funds and seeks re-insurance from commercial insurers for the remaining \$395 million.

ANALYSIS

The annual premium and renewal terms for all member councils are based on an actuarial assessment of member claims to determine the overall potential liability of the scheme and its administrative costs including reinsurance. Each member is subject to a fixed deductible or under-excess limit. This is currently \$10,000 for each Public/Products liability claim and \$15,000 for each and every professional indemnity claim.

As a mutually based scheme, annual premium increases/decreases are limited to a maximum percentage after calculations as to the amount required to administer the scheme, pay claims and purchase re-insurance or upper level cover. This method tends to absorb the costs attributable to individual claims and cross-subsidise the premium across the membership base.

The assessed premium for Council for 2008/09 is \$297,732 (GST exclusive) represents an approximate 21.4% decrease on the 2007/2008 premium, which was \$378,845 (GST exclusive). This decrease is primarily due to the review and restructure of the mutual schemes insurance activities, which inturn has allowed for a return of surplus to members.

The scheme continues to represent the best option for Council because of the reasonable certainty of premium levels within manageable limits. The scheme also offers a range of value-added services provided by CMP such as annual risk audits, individual project audits, insurance and risk advice, regional focus group meetings and free seminars and workshops.

FINANCIAL IMPLICATIONS

The quotation provided is within the estimate provided for in the 2008/2009 Budget.

CONCLUSION

The assessed contribution is reflective of a reinsurance program undertaken by CMP, which has allowed for a capital redistribution to members. It also recognises Council's growing risk management culture and performance, which ensured an improved risk management audit rating for the current year. Renewal at the premium contribution of \$297,732 (GST exclusive), or \$327,505.20 (GST inclusive), is recommended.