

## 2.3 INDUSTRIAL SPECIAL RISKS INSURANCE RENEWALS (INSUR22)

Responsible Director: Leigh Harder

### **RECOMMENDATION**

*That Council places its Industrial Special Risks (Assets) insurance with the Jardine Mutual Asset Protection Plan (JMAPP) Scheme for the period 30 June 2008 to 30 June 2009 at a proposed cost of \$370,200 (GST inclusive).*

### **INTRODUCTION**

This report is for the renewal of Council's Industrial Special Risks (Assets) insurance cover.

Industrial Special Risks insurance covers Council's assets, such as buildings and contents and the costs of business recovery from disaster situations. Existing asset insurance is with the Jardine Municipal Asset Protection Plan (JMAPP). This is a mutual discretionary fund scheme established for Jardine Lloyd Thompson (JLT) local government clients in Victoria with a primary cash pool established from members' contributions. JLT manages the scheme in addition to its role as broker to the Councils.

The scheme pool meets the first \$4.5 million aggregate of claims from members. This means that the members are insuring the first level of claims themselves from the pool. Reinsurance provides the remainder of cover for the aggregate of claims exceeding the primary level.

Renewal has been invited on the basis of a total insurable asset value of \$322,394,970 (increase of 8.66% in property assets).

### **ANALYSIS**

A requirement on Council's brokers, Jardine Lloyd Thompson, is that it undertakes a best value process with respect to placement of insurance on Council's behalf to meet the requirement to advertise contracts in excess of \$100,000.

Information on the replacement value of Council's assets was provided to JLT after confirmation of values from Council's property management system (Pathways). The policy is based on current replacement value of assets. The agreed replacement value for Council buildings was \$271.6 million and contents \$30.8 million. Miscellaneous assets, artworks, a provision for Business Recovery and consequences of a major loss make up the balance of the asset value.

Two quotations were received from this process, being:

	Excess	Premium
JMAPP	\$5,000	\$336,545 (ex. GST)
AFM	\$10,000	\$321,771 (ex. GST)

As was the case last year, the JMAPP proposal is based on an estimate of losses to 30 June 2008. Any major claim occurring until 30 June 2008 will cause a change to the premium figure.

The AFM proposal contains a higher excess than JMAPP's. The proposal's requirements would also mean an increase in administrative costs for the Council across a number of processes.

The preferred option is for renewal with JMAPP.

### ***FINANCIAL IMPLICATIONS***

The saving by this type of insurance over conventional commercial cover is made as the discretionary fund is not a conventional insurance policy under the Insurance Act and therefore certain fees including a significant part of the Fire Service Levy and Stamp Duty are not payable.

The quote is within draft Budget estimates having regard to industry advice on likely impacts felt by international and domestic insurance markets. The GST exclusive premium has decreased from \$436,000 in 2007/08 to \$336,545 in 2008/09, representing a decrease of 22.8%.

### ***CONCLUSION***

While the mutual discretionary scheme is a form of cross-subsidisation of all councils, there is financial recognition for Councils with good claims records. Monash has had a relatively good claims record in recent times. The scheme also represents a general financial advantage through the combined asset values of the 77 members and saving on fire service levies and stamp duty that would be payable under conventional commercial cover.

Membership of the Jardine Mutual Asset Protection Plan is recommended for the period 30 June 2008 to 30 June 2009 at an estimated contribution of \$336,545 (excluding GST) or \$370,200 (including GST).