

3.2 PUBLIC LIABILITY, PRODUCTS LIABILITY AND PROFESSIONAL INDEMNITY INSURANCE SERVICES

(ST/DW: INSUR22)

Responsible Director: Danny Wain

RECOMMENDATION

1. *That Council renews its membership of the mutual liability insurance scheme with MAV Insurance, Liability Mutual Insurance, for the period 4pm 30 June 2019 to 4pm 30 June 2020, for the approximate sum of \$645,570 (GST exclusive).*
2. *That Council delegate the authority to the Chief Executive Officer to approve and renew ongoing insurance for Public and Products Liability and Professional Indemnity Insurance.*

INTRODUCTION

This report recommends the renewal of Council's membership of the mutual liability insurance scheme with MAV Insurance, Liability Mutual Insurance and delegate the authority to the Chief Executive Officer to approve the renewal of future insurance policies in this category with a report provided to Council at the July meeting each subsequent year.

BACKGROUND

As the premium for this class of insurance is above the delegated authority of the Chief Executive Officer to approve, Council is required to approve the placement of the policy which is required at 4pm on 30 June each year. Negotiations with reinsurers for this class of insurance usually continues into mid-June, making it very difficult to inform Councillors of the final premiums in time for the June Council meeting. It is instead recommended that the Chief Executive Officer be delegated the authority to renew Council's Public and Products Liability and Professional Indemnity Insurance policy at the renewal time, 4pm 30 June. To maintain transparency and governance, a full report on the outcome of the insurance renewal would be provided in the July meeting cycle commencing in 2020 and continuing each year thereafter.

Council's current cover is provided through a local government mutual liability scheme. The scheme, known as MAV Insurance, Liability Mutual Insurance (LMI), is operated by the Municipal Association of Victoria (MAV), with scheme services delivered by a dedicated team from Jardine Lloyd Thompson (JLT) Insurance Brokers.

The scheme was established in 1993 when the industry was having increasing difficulty finding commercial insurers willing to quote on local government liability. It was designed specifically to cover the various risks and exposures experienced by Local Government. The scheme remains exempted, by Ministerial approval, from the requirements of the Local Government Act 1989 to advertise financial arrangements over \$150,000 in value.

The long-term strategic approach for the LMI scheme is to provide members with a reliable product at a steady price, regardless of market conditions. The not-for-profit structure means any excess revenue is either kept in the fund to help keep premiums down or returned directly to members as a surplus distribution.

The scheme has insurance limits of \$600 million for each public/products liability claim and \$600 million for professional indemnity claims. These limits were determined appropriate following a 2017 KPMG insurance limits review and consultation with members. The current coverage will ensure that members are protected against current and future catastrophic risks. The Insurance market is considered to be a 'hard market' which, with the existing insurance limits, continues to provide MAV Insurance the confidence that the scheme can continue to provide members with a "fit-for-purpose" product at the lowest long term price.

Members of MAV Insurance's LMI scheme have access to:

- Free legal advice on potential liability risks;
- Targeted appraisals and risk management assessments to help reduce and manage risks;
- Claim management support for all over excess claims from a team of specialists with extensive experience in local government claims;
- An underwriting help desk to assist members with coverage queries relating to Council business activities and
- An opportunity to network, learn and improve risk management practices through best practice forums, MAV Insurance conferences and seminars.

DISCUSSION

At the time of writing this report the final premium had not been received. MAV Insurance continues to negotiate renewal terms with the panel of reinsurers.

The claims performance of the sector overall is relatively stable and the long-term financial position for members of the mutual are positive. The concluding year has seen claims remain steady across the sector with personal injury claims now accounting for vast majority of the schemes claims.

The deductible will remain at \$20,000 which is the minimum amount across the sector.

The 2019-2020 premium is estimated to be up to \$645,570 which represents an allowance of up to a 10% increase on the 2018-2019 premium of \$586,882

FINANCIAL IMPLICATIONS

The 2019/20 Budget has allowance for insurance premiums.

CONCLUSION

Renewal of the policy with MAV Insurance, Liability Mutual Insurance scheme for 2019/2020 is recommended.