

7.4.4 INSURANCE PORTFOLIO RENEWAL 2023/24

Responsible Manager:	Rob Pedder, Acting Manager Corporate Governance and Legal
Responsible Director:	Jarrold Doake, Director City Services

RECOMMENDATION

That Council notes the report.

INTRODUCTION

Council reviews its insurance policies each financial year and has engaged JLT Public Sector as its broker. Council works alongside JLT to review and update its insurance policies.

The insurance program for the 2023/24 financial year has resulted in a 15.49% increase from the 2022/23 financial year. An increase was expected and is primarily driven by the growth in value of Council's asset base and increases in claim numbers and costs. Further, there are additional market pressures outside of Council's control, which are further detailed below.

The CEO has delegated authority from Council to approve the insurance renewals and must then arrange for a report to Council. This report rounds out this requirement.

DISCUSSION

The majority of Council's insurance portfolio is placed by JLT Public Sector. JLT Public Sector's renewal strategy is to work with the existing panel of insurers from across Australia to provide the best long-term strategic results. Adopting this approach for Council ensures continuity and certainty of insurance coverage, particularly during this period of vulnerability and uncertainty in the insurance market.

The remainder of Council's insurance portfolio: Public Liability and Professional Indemnity; and Commercial Crime insurance is placed directly with MAV Insurance.

Market conditions

JLT Public Sector advise the global insurance industry continues to experience significant challenges. Economic uncertainty, inflationary pressures, supply chain issues, digital disruption, cyber security threats, environmental, sustainability, governance exposures and a rapidly evolving regulatory landscape have all contributed to a rapidly changing insurance market.

Recent high-profile events such as the Optus and Medibank data breaches and the northern Victorian floods are impacting the local government sector and demonstrate the interconnectivity of the risks and the flow-on effects these incidents have throughout the insurance industry.

From mid-2017 through to mid-2020 the insurance market went through a rapidly increasing pricing phase. Fortunately, these typical 'hard-market' conditions haven't continued at this pace. Increases more than our initial estimates occurred in our asset and infrastructure space however this was able to be offset to an extent by smaller increases than previous years in Council's cyber, financial and professional line policies which has not been the case in previous years.

Property Risk Protection – Industrial Special Risk

Council continues to place its property insurance with JMAPP (Jardine Mutual Asset Protection Plan). Although JMAPP provides a level of assurance, it is not strictly insurance but a discretionary trust arrangement.

Council's member contribution into the JMAPP increased by 31%. However, this was significantly lower than the average metropolitan Council increase of 46.7%, due to fewer overall claim numbers and associated costs.

The major contributors of the increase include:

- an increase in the value of Council's asset base – increasing 25% in value from \$524,923,904 to \$656,427,590;
- steep increases in commercial construction costs;
- high inflation; and
- North Victoria floods - the 2022/23 program year saw the largest ever single event loss to the JMAPP since Council first commenced partnering in 1972. The current claim reserves to insurers sit at circa \$63,000,000 with potential for further development as inflationary pressures take hold on reinstatement of assets.

Public Liability and Professional Indemnity

The Public Liability and Professional Indemnity policy has been placed with MAV – Liability Mutual Insurance (LMI) for 2023/24. MAV Insurance have advised that although the LMI Scheme has incurred an on average 13% increase, Council has achieved a below average increase of 10% for the 2023/24 financial year.

The major contributors to the increase include a pattern of increasing claims numbers and costs. Of note:

- Claim levels are now at their highest level since tort reform in the early 2000s.
- Costs for personal injury claims are up 31% or \$6.5m with slips and falls (i.e., footpath falls) representing a majority of these claims.
- The LMI Scheme had an unprecedented number of claims above \$1m in cost, with 10 lodged in the previous financial year bucking long-term trends of about two per year.

Insurance Portfolio

The table below summarises the renewed policies:

Class of Insurance	Insurer	2022/23 premium	2023/24 premium	Increase/ Decrease	Comments
Industrial Special Risks (Property & Art works)	JMAPP (Jardine Mutual Asset Protection Plan)	\$630,858	\$829,133.87	+31.43%	Asset value increased by 25% , including property, art works, contents & unregistered plant & equipment.
Public Liability & Professional Indemnity	MAV-LMI Insurance	\$1,010,203	\$1,111,224.40	+10%	Below average - increase of 13% for other Victorian Councils.
Motor Vehicle	AAI Limited T/As Vero Insurance	\$139,150	\$145,231.15	+4.37%	Increase in fleet numbers from 302 to 304.
Community Liability	QBE Insurance (Australia) Ltd	\$26,098	\$40,538.84	+55.33%	Increase in community liability requirements since significant

Class of Insurance	Insurer	2022/23 premium	2023/24 premium	Increase/ Decrease	Comments
					reductions declared during COVID-19
Commercial Crime	MAV Insurance	\$43,616	\$47,730.49	Negligible increase	Remarketing process occurred to ensure the underlying insurance provided the best coverage for members at the lowest price.
Environmental Impairment Liability	Liberty Specialty Markets	\$113,135	\$118,780.64	+4.99%	4.99% increase in the face of tougher legislation and rise in claim costs.
Cyber Liability	Chubb Insurance Australia Limited	\$36,966	\$39,538.49	+6.96%	Premium increase down from almost 40% in FY 2022/23.
Councillor & Officers Liability	XL Insurance Company SE	\$126,119	\$126,119.46	0%	Monash City Council is considered a 'high exposure Council' due to revenue over \$200m.
Personal Accident Insurance	Chubb Insurance Australia Limited through Victor Insurance (PA)	\$2,045	\$2,135.76	+4.46%	
Corporate Travel	Chubb Insurance Australia Limited through Victor Insurance (Travel)	\$220	\$230.58	+5.00%	
Plumbers Liability	Zurich	\$2,123	\$2,341.26	+10%	
Fee		\$33,000.00	\$35,750.00		
Total		\$2,163,534	\$2,498,754.94	15.49 % increase	

POLICY IMPLICATIONS

The insurance portfolio reflects the risks faced by Council and provides financial protection against losses and assistance with business recovery. Individual policies mitigate the severity of the loss, and the Internal Audit program provides assurance to management that the preventative actions to manage risk are working as expected. The program is assessed annually against the strategic risk profile of Council.

SOCIAL IMPLICATIONS

Not applicable.

CONSULTATION

Not applicable.

HUMAN RIGHTS CONSIDERATIONS

Not applicable.

GENDER IMPACT ASSESSMENT

Not required for this report.

FINANCIAL IMPLICATIONS

The 2023/24 financial budget allowed for an increase of 15%. The program has delivered a 15.49 % increase for the current financial year up from the 5.9% increase last year.

CONCLUSION

Monash City Council's insurance portfolio is one of the essential tools for managing the consequences of unexpected risks that prevent, or delay, the delivery of services as expected by our community. Council's insurance portfolio provides financial protection against losses.

It is recommended that Council note this report.

ATTACHMENT LIST

Nil