



City of
Wanneroo

**SUPPLEMENTARY REPORT
FOR ELECTED MEMBERS'
BRIEFING SESSION**

Draft Only

to be held at
the Civic Centre,
Dundebar Rd, Wanneroo
on 15 July, 2014 commencing at 6:00PM



City of Wanneroo

Briefing Papers for Tuesday 15 July, 2014

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Item 5 Supplementary Report

5.1 Insurance Services 2014/2015

File Ref: 3872 – 14/180535
Responsible Officer: Director, Corporate Strategy and Performance
Disclosure of Interest: Nil
Attachments: Nil

Issue

To consider the 2014/15 fee proposal for all general insurances for a one year period from 1 July 2014 to 30 June 2015 submitted by Local Government Insurance Services (LGIS).

Background

Council at its meeting held on 23 July 2013, considered the provision of Insurance Services and a proposal from LGIS for “Pool Schemes” relating to Property, Liability and Work Care Insurances for the 2013/14 renewal period. As a result, the following resolution was adopted:

“That Council:

- 2. NOTES the proposals from the Local Government Insurance Services for its “Pool schemes” (Municipal Work Care, Municipal Property and Municipal Liability) and other general insurances for a total premium of \$3,300,754 (Plus GST) including membership of those schemes for the 2013/14 financial year.”*

These insurances are now due for renewal for 2014/15.

Detail

Industrial Special Risk

For insurance purposes, the value of the City's property portfolio has increased to \$378m. This represents a 9.19% increase in property assets, which takes into account increases for consumer price index, new buildings and assets coming online and an annual evaluation of the City's buildings, assets and contents insurance.

In 2013/14 the insured value of the City's property portfolio was \$346m with a basic premium of \$465,753.47. LGIS has confirmed that under the Municipal Property Scheme, cover can be provided for the 2014/15 financial year at a cost of \$508,589.71 (plus GST), with retention of a \$2,000 excess for all claims.

There is a nil increase in the property premium rate and this is a result of good claims experience for the City and the scheme and relief from natural disasters.

Public Liability/Professional Indemnity

The 2014/15 premium for the City's Public Liability and Professional Indemnity insurance cover has been set at \$597,024 (plus GST), representing an overall increase of \$19,628 (3.4%) on last year. The percentage increase is based on an increase in the City's total operating revenue, previous claims experience, risk profiling and risk management.

Other Classes of Insurance

The City holds a number of smaller, specific insurances including cover for Voluntary Bush Fire Fighters (a statutory requirement), Casual Hirer's Liability, Construction Risks, Councillors and Officers Liability, Fidelity Guarantee and Personal Accident/Travel, Transit and Corporate Practises.

These risks have been placed by LGIS with various external insurers and premiums have been held reasonably steady over time. In 2014/15 Casual Hirer's, Construction, Fidelity Insurances remained the same and increases have been recorded to Councillors and Officers Liability, Councillors and Officers Employment Practise and Personal Accident, however, there are decreases to Bushfire, Corporate Practises and Transit insurance. A summary of the types of classes of insurances and the premium costs are presented in the following table:

	12/13 PREMIUM	14/15 PREMIUM	% Increase
Bushfire	\$8,788	\$7,790	-11%
Casual Hirers Risk	\$5,953	\$5,953	0%
Construction Risk	\$880	\$880	0%
Councillors & Officers Liability	\$3,762	\$4,138	10%
C & O – Employment Practices	\$4,118	\$4,578	11%
Fidelity Guarantee	\$10,495	\$10,495	0%
Personal Accident	\$1,650	\$2,550	55% (limit increased)
Corporate Practises	\$13,134	\$11,820	-10%
Transit	\$624	\$400	-36%
Machinery Breakdown & Electronic Equipment insurance	\$Included in Property premium	\$Included in Property premium	
TOTAL (ex GST) of other	\$49,404	\$48,604	-1.61%

Worker's Compensation

The Municipal WorkCare Scheme (MWS) has provided details of the rates to apply for the 2014/15 insurance period. Contributions are based on estimated wages and are influenced by claims experience. There is a 'minimum', 'deposit' and 'maximum' contribution rate with the deposit contribution based on Scheme Rules, taking into account the number, extent and value of claims and subject to adjustment at the end of the policy period.

Based on the City's estimated wages for 2014/15, the deposit premium for 2014/15 is 2.2%, calculated at \$1,529,052 on total salary/wages of \$69,502,373 with the maximum rate of 3.7% as indicated below.

	2013/2014	% Of Gross Salaries	2014/2015	% Of Gross Salaries
Minimum Rate	\$1,198,737	2.3	\$1390,047	2.0
Deposit	\$1,451,103	2.3	\$1,529,052	2.2
Maximum	\$2,208,201	3.5	\$2,571,588	3.7

Whilst the 'maximum rate' has increased slightly, it is still lower than the rate applied in 2012/13 and is more a reflection of broader claims history than recent results. The City has been driving a "safety first" culture and accordingly, this has seen significant improvement to the cost of claims for 2013/14. It is likely that this will be our expectation and target for 2014/15. The slight reduction in the deposit rate for 2014/15 is the significant reflection of our improved performance.

Consultation

The City's Operational Managers were consulted as part of this process to identify specific insurance requirements pertaining to the operational activities.

Comment

LGIS has advised that rate increases in 2014/15 have been kept to a minimum with several classes of Insurance receiving reductions.

In view of this it is recommended that the City of Wanneroo renew its insurances to 30 June 2015 via LGIS. Further work will continue to identify strategies to reduce the overall insurance costs, including:

- Reducing claims incidence
- Focus on Risk Management and safety.

Statutory Compliance

The City is not required to tender for the services provided by Local Government Insurance services as *Part 4 of the Local Government (Functions and General) Regulations 1996, Section 11 (2)* states that:

"Tenders do not have to be publicly invited according to the requirements of this Section if:

- (b) The supply of the goods or services is to be obtained through the Council Purchasing Service of WALGA."*

Strategic Implications

The proposal aligns with the following objective within the Strategic Community Plan 2013 – 2023:

"4 Civic Leadership - Working with others to ensure the best use of our resources.

4.3 A Strong and Progressive Organisation - You will recognise the hard work and professionalism delivered by your council through your interactions and how our community is developing."

Risk Management Considerations

The proposals provided by the Local Government Insurance Services (LGIS) for its "pool schemes" and general insurances provides the City with adequate cover to manage its Insurance profile and plays an important role in risk mitigation for the City.

Policy Implications

Nil

Financial Implications

The following table reflects a comparison of the 2014/15 premiums against premiums over the last three (3) financial years:

Insurance policy type	2011/12	2012/13	2013/14	2014/15
Industrial Special Risks	\$341,423* Discounted	\$408,410	\$465,753	\$508,590
Public Liability	\$422,161* Discounted	\$512,428	\$577,396	\$597,024
Workers Comp	\$2,172,851	\$2,380,476	\$2,208,201	\$2,571,588
Other	\$48,512	\$47,081	\$49,404	\$48,604
Total	\$2,984,947	\$3,348,395	\$3,300,754	\$3,725,806

* includes a one off 12% discount for 2011/12 period (surplus funds returned to members)

The 2014/15 Budget provides a total of \$3,814,959 to meet the premium and excess charges. This provision was based on advice from LGIS. Accordingly, subject to the requirement to meet the maximum contribution rate for Workers Compensation, it is considered that the budget is largely sufficient to meet the proposed deposit of the 2014/15 premium and claims cost.

Voting Requirements

Simple Majority

Recommendation

That Council NOTES the proposals from the Local Government Insurance Services (LGIS) for its “pool schemes” (Municipal WorkCare, Municipal Property and Municipal Liability) and other general insurances for a total premium of \$3,725,806, (plus GST), including membership of those schemes for the 2014/15 financial year.

Attachments: Nil