

14 March 2024

Ms Carmel Donnelly
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Via email: ipart@ipart.nsw.gov.au


Dear Ms Donnelly,

Re: Investigation of council financial model in NSW – Draft terms of reference

Thank you for the opportunity to offer feedback on the draft terms of reference as provided by the Hon. Christopher John Minns MP, Premier.

I am a resident of Goulburn Mulwaree Council (GMC). As you would be aware GMC has applied to IPART for a Special Rate Variation (SRV) of 51.2% ([Refer attachment No. 1](#)).

On the proposed increase, GMC advised residents that insurance was the second highest expense and one of the main reasons for the proposed increase. You can see from the below extract under [Section 55 of the NSW Act](#) (the Act) Members of Statewide Mutual, which includes GMC, are exempt from participating in a tender process. Therefore, the forced acceptance of insurance renewal terms, without competition, is both arrogant and antagonistic.



WHY DON'T MEMBERS NEED TO GO TO TENDER?

With the traditional model of purchasing insurance through the market failing Council in adverse times, the participating Councils worked with JLT to set up a more sustainable model to provide a continuing remedy.

In establishing the Mutual, Members wished to establish an insurance Mutual so that they could purchase insurance collectively, self-insure some aspects of their risk, control risk management and run their claims. This model requires a more binding and lasting undertaking than a mere contract and hence the [Scheme](#) was established by Deed.

Members' annual contribution to the Scheme is not a traditional contract of indemnity like almost all insurance policies. It is a contribution of a Member to a discretionary trust held for its benefit, not a contract.

Thus, while [Section 55 of the Local Government Act is quite specific](#) in that it requires Councils to [tender](#) for certain contracts, [Members' contributions do not constitute a contract for the purposes of the Act](#).

Further, the agreement made by the Members individually to the Scheme constitutes an agreement between the Member Councils to establish the Scheme [which is an exemption to Section 55](#).

I refer specifically to the above Statewide Mutual General Manager Toolkit page 12 ([Refer attachment No. 2](#)). Statewide is the [Scheme manager to 113 NSW Member Councils](#)

Statewide's appointed insurance advisor is JLT, who is broker to the 113 councils, which equates to 88.2% of [NSW's 128 councils](#). And a near monopoly hold on [Australia's 537 councils](#).

Monopoly: Anti-competitive behaviour

In allowing the exemption to continue, the NSW State Government is effectively forcing GMC ratepayers to accept an increase in insurance premiums that have not gone to tender. It is unacceptable, anti-competitive behaviour.

The Scheme and Deed referenced by Statewide is not available to residents but Members only, i.e. Councils. The lack of transparency is not in-line with a democratic process and whereby other government departments are forced to comply under the Act.

This exemption conditions the market, Australia wide, to accept a lack of competition and to favour the other schemes, in other states, managed by JLT. Schemes such as, Qld ([LGMS](#)), SA ([LGRS](#)), WA ([LGIS](#)) Vic ([JMAPP](#)) and Tas ([LGAT](#)).

Request for the following inclusions in the terms of reference


I write to you as a concerned resident of Goulburn who is not prepared to accept the proposed SRV. In addition to my concerns, I am aware of the Goulburn Ratepayer Action Group who also oppose the increase. To date, the Group has collected over 6,000 signatures from petitions located in 120 shops and business throughout Goulburn. ([Refer attachment No. 3](#)).

I have reviewed the draft terms of reference provided by the Premier, and while the terms covers many essential aspects, I would like to stress the importance of including specific provisions regarding insurance requirements as a crucial component for discussion.

In view of the recent parliamentary inquiry into *Insurer Responses to The 2022 Floods*, and risks associated with climate change, it is imperative that the NSW State Government establish clear uniform guidelines for the insurance coverage of all 128 councils that are acceptable, transparent and competitive.

Therefore, I ask that the following be considered for inclusion:

1. The terms of reference to include mandated tendering for the provision of insurance for all NSW councils. Mutuals and their Members will no longer be granted exemption under the Act.
2. The contract period (RFP) for insurance services be for a mandated 5-year period to ensure competition and to end the current monopoly held by JLT, which is a subsidiary of Marsh, the world's largest insurance broker.
3. An independent body, such as IPART, be responsible for the terms of the RFP and appointment of the successful insurance service provider.



Special Rate Variation Proposal

| Scenarios | 2024-25 | 2025-26 | Cumulative |
|--|---------|---------|------------------------|
| Base Case - Rate Peg* | 3.5% | 2.5% | 6.1% (over two years) |
| Option 1 - One - year SRV (including rate peg) | 43.5% | 2.5% | 47.1% (over two years) |
| Option 2 - Two - year SRV (including rate peg) | 25.5% | 20.5% | 51.2% (over two years) |

| Rates comparison v 5 Major Expenditure Categories 2018/19 - 2023/24 | | | | |
|---|-------------------|--------------|---------------------------|----------------------|
| | Increase (\$'000) | Increase (%) | Average Increase (\$'000) | Average Increase (%) |
| ESL | 404 | 92.66% | 67 | 15.44% |
| Insurances | 1,002 | 89.46% | 167 | 14.91% |
| IT Expenses | 985 | 569.36% | 164 | 94.89% |
| Light & Power | 1,641 | 156.29% | 274 | 26.05% |
| Depreciation | 13,884 | 114.59% | 2,314 | 19.10% |
| Increase in expenses | 17,916 | 120.28% | 2,986 | 20.05% |
| Rates | 4,710 | 24.76% | 785 | 4.13% |

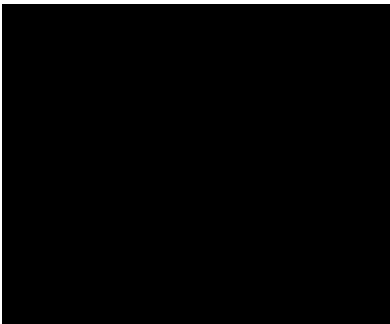
4. To maintain independence, the Scheme manager, Statewide Mutual, be precluded from overseeing the tender process and appointment of the insurance service provider. Currently, Statewide is a tenant of Marsh and located in their premises, along with JLT, at Tower One International Towers, Barangaroo, Sydney. I believe this to be an undeclared conflict of interest.

Including the above four provisions in the terms of reference, which are specific to insurance requirements, will ensure financial stability for regional councils and protect NSW's nine million residents from forced insurance hikes.

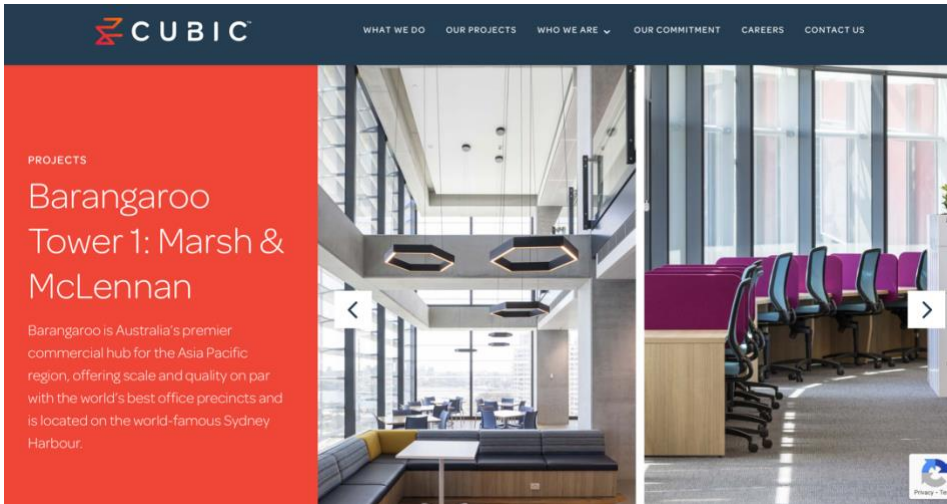
The inclusion will also provide assurance to residents that appropriate measures have been put in place by the Minns' Government that discourages anti-competitive behaviour.

I look forward to discussing these suggestions further and collaborating on incorporating the necessary insurance provisions into the finalised terms of reference.

Sincerely,



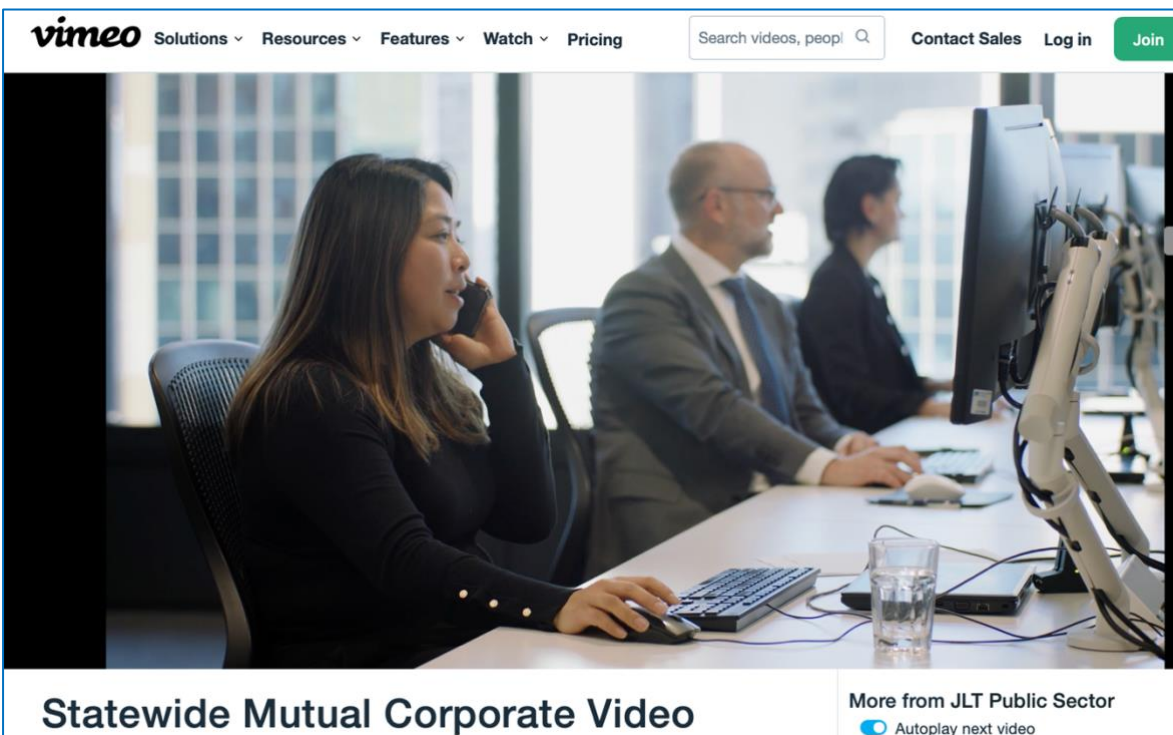
Statewide Mutual are tenants of Marsh, parent of JLT, and Statewide’s advisors.



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Special Rate Variation Proposal

How did we get here?

Under the rate peg set by the State Government, Goulburn Mulwaree Council is delivering infrastructure and services to meet the demands of a growing population. This has, however, become increasingly challenging in recent years. A truly volatile inflationary environment, the COVID pandemic, and recent weather events have increased Council's costs faster than revenue growth, causing extreme budgetary pressure. Costs are out-stripping revenue, resulting in Operating Deficits. Council has used cash reserves and reduced infrastructure renewal and maintenance to ensure balanced budgets, and sourced other income opportunities. Goulburn Mulwaree Council's ('Council') Long-Term Financial Plan (LTFP), adopted in November 2022 indicated the need for Council to consider a permanent special rate variation (SRV) to ensure its ongoing financial sustainability. Council has now committed to exploring the option of an SRV application. Council has not previously sought an SRV.

Where we are up to in the process?

As part of the process to clarify the need for an SRV Council engaged Morrison Low to undertake an independent financial review. Those findings are available on Council's website. At the Council Meeting held on Tuesday 19 September 2023, Council voted to start a conversation with the community about a potential special rate variation.

What is being proposed?

Council voted to take 2 special rate variation options to the community, plus the status quo, or base case which relies on the rate peg set by IPART each year.

If endorsed this increase will be permanent.

| Scenarios | 2024-25 | 2025-26 | Cumulative |
|--|---------|---------|------------------------|
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| Option 1 - One - year SRV (including rate peg) | 43.5% | 2.5% | 47.1% (over two years) |
| Option 2 - Two - year SRV (including rate peg) | 25.5% | 20.5% | 51.2% (over two years) |

Note: Cumulative amounts are expressed as required by IPART and only go to the end year of the SRV. Black excludes rate peg percentage.

* % increase assumed as yet to be announced.

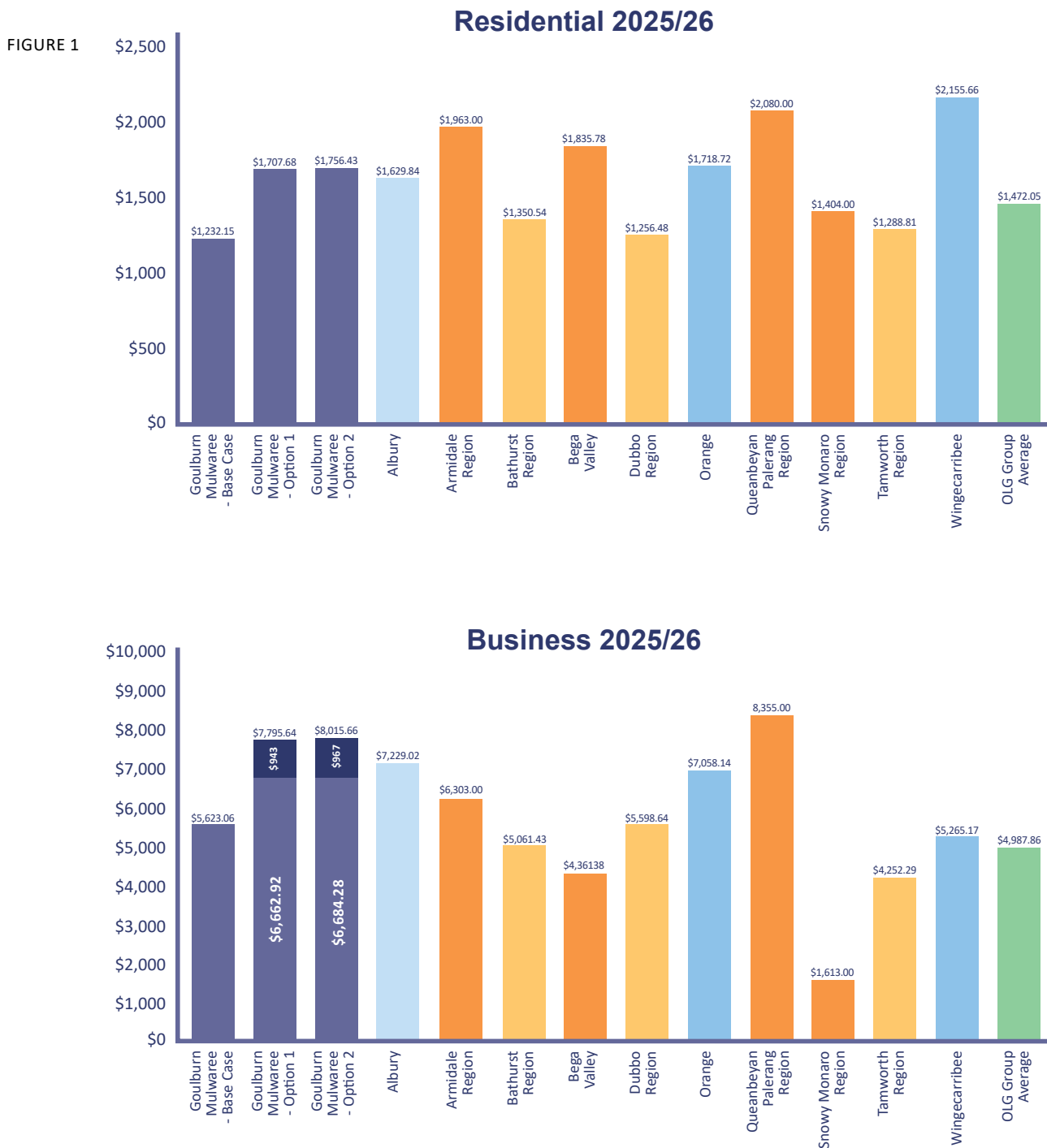
What will change on my rates notice?

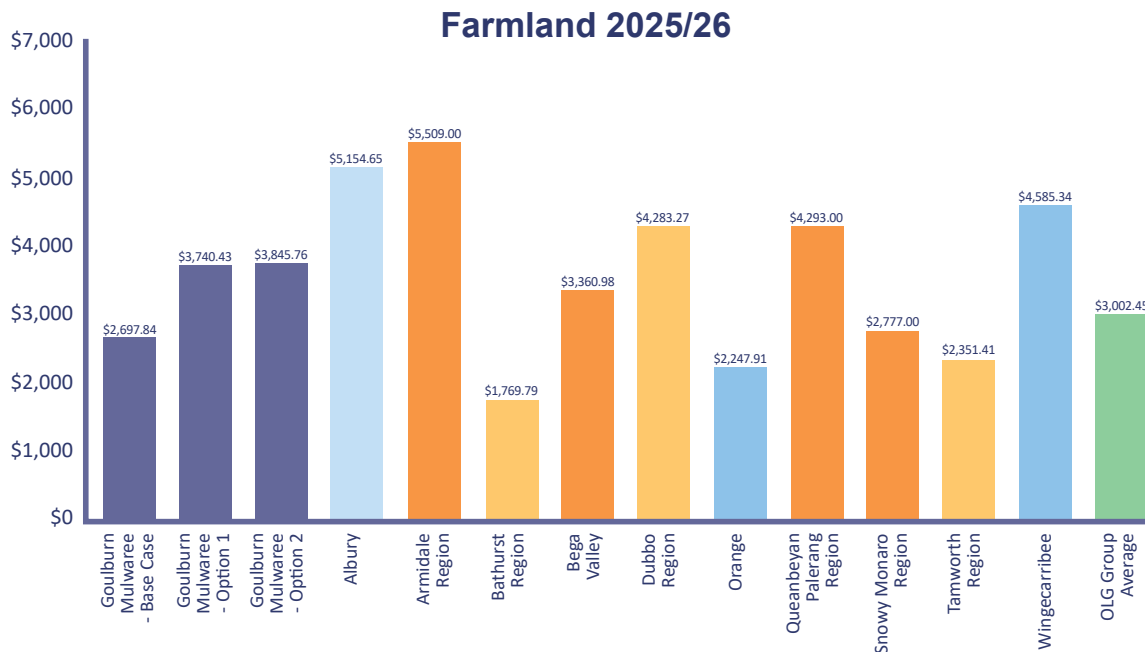
The SRV applies to the general rate charge. This is the base rate and land value (or ad valorem) charge on your rates notice. It does not apply to garbage or general waste, sewerage, stormwater, or water charges.

The impact on an individual's rates will be different depending on the unimproved land value of their property.

How do our rates compare with similar Councils?

The Office of Local Government groups similar Councils for comparison purposes. Goulburn Mulwaree Council is in Group 4 with 25 other Regional Town or City Councils. This group of Councils represents a diverse cross section of geographies and communities across New South Wales, including Albury, Dubbo, Bathurst, Orange and Queanbeyan-Palerang, as well as coastal Councils including Byron, Ballina and Eurobodalla.





What will the Goulburn Mulwaree SRV be spent on?

Council relies on what the residents of the Goulburn Mulwaree Local Government Area want it to spend money on in terms of services and infrastructure.

The proposed special rate variation will enable Council to:

- ▶ Increase maintenance of Council's Road network
- ▶ Invest in cyber security upgrades for Council's technology systems
- ▶ Adequately resource the Community Facilities team to maintain and manage Council's parks and open spaces
- ▶ Deliver current services and maintain assets to the community
- ▶ Ensuring financial sustainability in the longer-term
- ▶ Fast-track renewals to improve infrastructure.

What has Council already done to save money?

Council undertakes regular reviews to ensure that it is containing costs and implementing efficiency gains, so that it can provide value for money to its community. Council has found savings of approximately \$1.179 million per year through implementing 44 initiatives, including the introduction of LED lighting, energy audit savings, haulage route reviews, and improved administration and operational processes. Going forward, Council has identified further improvement initiatives that it will implement as soon as practical providing a further annual net benefit of \$1.4 million per year, with one-off implementation costs of \$1.7 million. Some of these initiatives include review of strategic asset management, continual review of lighting emissions, ongoing audit of energy commitments, and use of technology to its full capacity.

Council will continue to investigate cost saving opportunities; however, cost savings alone will not be sufficient to ensure Council's future financial sustainability

If your rates don't go up what will happen

Council will need to consider options like decreasing spending in some areas or reducing levels of service provisions. This could mean mowing a park less often, less road maintenance or changing hours of operation at some facilities. If Council cannot increase its rates revenue through an SRV, it will need to cut its operating costs by around \$10.7 million per year and not adequately fund its asset renewal.

Where else does Council get its funding from?

Rates make up approximately 40 percent of Council's current income. Around 25 percent of our income comes from fees and charges (e.g., water usage, waste management, venue hire fees, inspection fees, development application fees etc.); We also receive a range of grant funding. This funding is often linked to projects like upgrading a road or to help Council build a new facility like the Goulburn Performing Arts Centre. Grant funding makes up almost 35 percent of Council income, however, is variable and is project specific. Council also receives funding from other sources like fines, land sales, developer contributions and interest.

How will the special rate rise affect you?

Goulburn Mulwaree Council has 9 rating categories, so the effect will depend on where you live and the value of your property. The proposed rate rise only applies to the general rate charge. It does not apply to garbage or general waste, sewerage, stormwater, or water charges.

The diagrams below show the impact of each option on the average residential rate. All rate increase figures include the rate peg and are permanent.

SRV impact on average rates

| Residential SRV Options | 2023-24 | 2024-25 | 2025-26 | Two-year increase (including rate peg) | Weekly increase (including rate peg) |
|-------------------------|------------|------------|------------|---|---|
| Base Case | \$1,161.45 | \$1,202.10 | \$1,232.15 | \$70.70 | \$1.36 |
| Option 1 | \$1,161.45 | \$1,666.03 | \$1,707.68 | \$546.23 | \$10.50 |
| Option 2 | \$1,161.45 | \$1,445.05 | \$1,756.43 | \$594.98 | \$11.42 |

| Business SRV Options | 2023-24 | 2024-25 | 2025-26 | Two-year increase (including rate peg) | Weekly increase (including rate peg) |
|----------------------|------------|------------|------------|---|---|
| Base Case | \$5,300.40 | \$5,485.91 | \$5,623.06 | \$322.66 | \$6.20 |
| Option 1 | \$5,300.40 | \$7,605.50 | \$7,795.64 | \$2,495.24 | \$47.99 |
| Option 2 | \$5,300.40 | \$6,651.50 | \$8,015.06 | \$2,715.26 | \$52.22 |

| Farmland SRV Options | 2023-24 | 2024-25 | 2025-26 | Two-year increase (including rate peg) | Weekly increase (including rate peg) |
|----------------------|------------|------------|------------|---|---|
| Base Case | \$2,543.03 | \$2,632.04 | \$2,697.84 | \$154.81 | \$2.98 |
| Option 1 | \$2,543.03 | \$3,649.21 | \$3,740.43 | \$1,197.40 | \$23.03 |
| Option 2 | \$2,543.03 | \$3,191.46 | \$3,845.76 | \$1,302.73 | \$25.05 |

For every \$100 Council spends*, on average it is allocated to:

Almost
\$55
to
infrastructure

\$16
to our Parks,
Gardens and
Sporting
facilities

\$14
to
governance
and
administration

\$7
to arts,
culture,
tourism and
events

\$2
to building
and
development
control

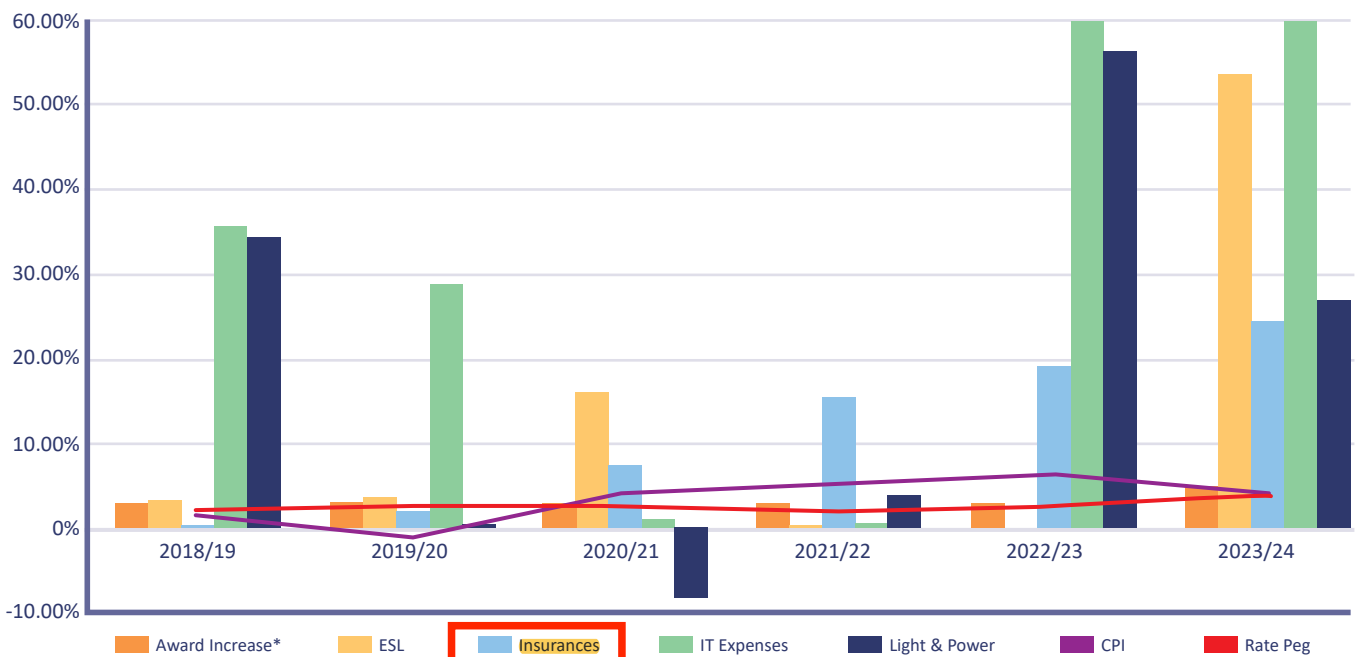
\$1
to heritage
and strategic
planning

Remaining **\$5**
to a range of other
services such as:
emergency services levy,
economic development,
community services,
compliance and
community enforcement,
community engagement
and information, land and
property management
and cemeteries.

*Water, sewer and waste costs are not included

Rate pegging has not matched Council's operating expenses over the last six years. This can be demonstrated by the visual below.

Percentage increase in expenses v Rate Pegging 2018/19 – 2023/24



Rates comparison v 5 Major Expenditure Categories 2018/19 - 2023/24

| | Increase (\$'000) | Increase (%) | Average Increase (\$'000) | Average Increase (%) |
|-----------------------------|-------------------|----------------|---------------------------|----------------------|
| ESL | 404 | 92.66% | 67 | 15.44% |
| Insurances | 1,002 | 89.46% | 167 | 14.91% |
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| Increase in expenses | 17,916 | 120.28% | 2,986 | 20.05% |
| Rates | 4,710 | 24.76% | 785 | 4.13% |

What is a Special Rate Variation?

The Independent Pricing and Regulatory Tribunal (IPART) sets the amount Councils can increase rates by each year, which is called the rate peg. A special rate variation is a request by a Council to IPART to increase rates by more than the rate peg amount. A special rate variation can be for a single or multiple years. It can also be temporary or permanently retained in the rates base. To apply for a special rate variation Council needs to follow a process set out by IPART and formally apply for the variation and show how Council has met all of the criteria in the application guidelines

What if I cannot afford for rates to increase?

In assessing Council's application, IPART will consider the ability of ratepayers to pay their rates. Council has a Hardship Policy in place which provides a framework for ratepayers experiencing genuine hardship for assistance with the payment of their rates and charges. More information about Council's hardship assistance can be found on Council's website: [https://www.goulburn.nsw.gov.au/Council/Policies?dlv_OC%20CL%20Public%20DocLib%20Global=\(pageindex=3\)](https://www.goulburn.nsw.gov.au/Council/Policies?dlv_OC%20CL%20Public%20DocLib%20Global=(pageindex=3)) Council also has pensioner concessions in place if you are eligible. More information is available from Council's Rates team or on its website: [https://www.goulburn.nsw.gov.au/Council/Policies?dlv_OC%20CL%20Public%20DocLib%20Global=\(pageindex=5\)](https://www.goulburn.nsw.gov.au/Council/Policies?dlv_OC%20CL%20Public%20DocLib%20Global=(pageindex=5))

How can I find out more and provide feedback?

Council is seeking the community's view on the proposed SRV. More information on the proposal is available on Council's website or we encourage you to attend one of the community drop-in information sessions. Send us your views by completing the online submission form, complete a form available in Council's Customer Service area and Library, or email svrfeedback@goulburn.nsw.gov.au Keep an eye on Council's website, its social media page and in local media for more details about these drop-in sessions. Feedback from the community will be gathered up until 5pm on 3rd November 2023.

What happens next?

After Council has considered the community feedback it will meet again to consider whether or not to advise IPART that an application will be prepared and submitted to request a special rate variation. This meeting will be held on 21 November 2023. IPART will conduct its own consultation, with public submissions likely to be sought in March 2024, before they make their determination in May 2024.

If approved, the SRV will be included in rates from 1 July 2024. IPART has not announced the timelines for this year's application process, so some dates are approximate, based on previous years.





**statewide
mutual.**



GENERAL MANAGER TOOLKIT

COUNCIL NAME

Version: 1 | March 2018

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DOCUMENT CONTROL

| VERSION NO. | REVISION DETAILS | ENDORSEMENT DATE |
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| Version 1 | Original document | March 2018 |

SAMPLE

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INTRODUCTION

This document has been written as a resource for General Managers of Statewide Mutual Member Councils.

We understand that explaining the detail of Council's unique insurance arrangements and the benefits of mutuality to your stakeholders can be complicated. Whilst we encourage you to utilise your local Board Member representative and key Statewide Mutual and JLT staff to assist in any stakeholder presentations or discussions, the following document will arm you with some of the necessary information to answer the most common questions that will come your way.

SAMPLE

WHAT IS STATEWIDE MUTUAL?

Statewide Mutual is a discretionary mutual providing cover to its Member Councils' major insurable risks. It is a 'self-insurance mutual' backed by reinsurance placed through local and international underwriters. Members own the Mutual and benefit from building equity resulting from surplus contributions.

SAMPLE

WHY WAS THE MUTUAL ESTABLISHED?

Statewide Mutual was established in 1993 in response to underwriters withdrawing their support for Public Liability and Professional Indemnity cover to Local Government.

The market was particularly volatile with very few underwriters prepared to cover your risk. Claims were spiralling out of control and premiums were rising rapidly. Annual increases of 20-30% were not uncommon and underwriters were fleeing at a rate of knots as a result of high claims costs.

This is why JLT recommended its existing clients act together and mutualise. In coming together the Members were able to utilise economies of scale to smooth results, access non-traditional markets and stabilise premiums.

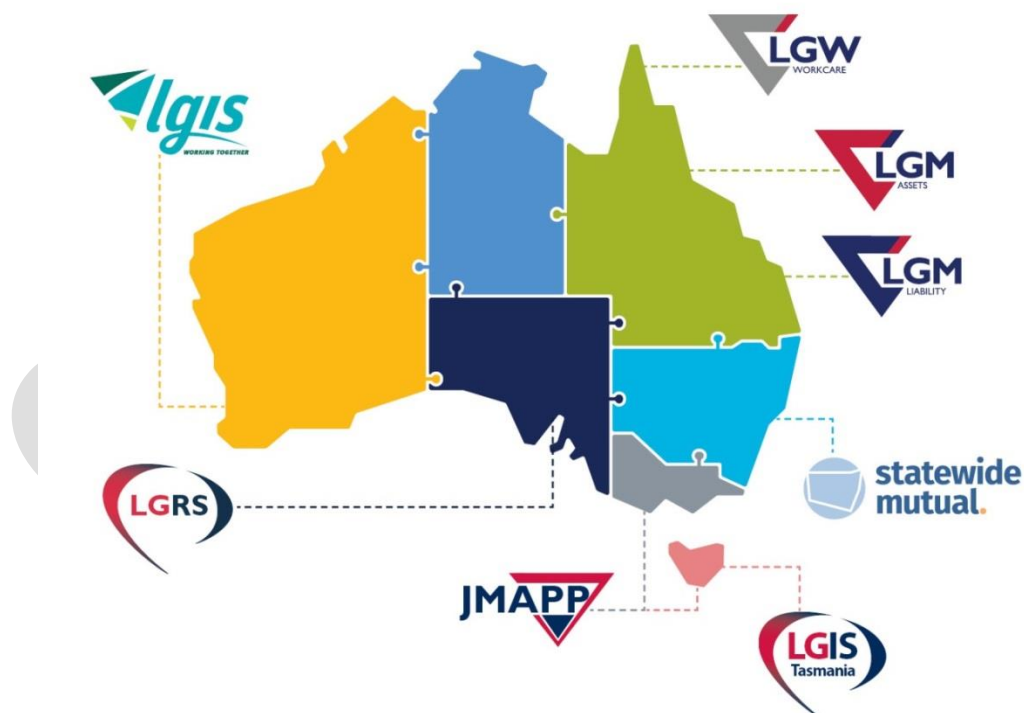
MISSION STATEMENT

Applying innovative practices in the management of Local Government insurance which ensure the protection of Members through stable premiums, cost containment and spread of risk.

A shared commitment to learning through risk management and claims outcomes has improved the overall insurance profile of the industry.

The prevalence of this model for local government both here in NSW and nationally speaks for itself.

Over 450 Councils Australia-wide opt for a mutual model. JLT acts as the insurance adviser for all of these Schemes.



WHAT ARE THE BENEFITS OF BEING A MEMBER?

COMPLETE AND EVOLVING COVER

Statewide Mutual is not a 'one size fits all' solution. It accounts for diverse council size and needs. The Mutual ensures cover broad enough to meet contingencies and cover that is specific to your industry, your region, and each individual Council.

The Schemes offer policy wordings which have been developed from 24 years of meeting Councils' needs, which highlights the high degree of flexibility within this model.

Statewide Mutual provides comprehensive protection for key risk areas:

1. Liability scheme (Public, Products and Professional Indemnity)
2. Property Mutual scheme
3. Crime (Fidelity Guarantee) scheme (now inclusive of cyber insurance)
4. Councillors' and Officers' scheme
5. Motor Vehicle scheme

In recent years Members have benefited from increased cover across the schemes with endorsements for Environmental Liability, Drones and property loss through flood.

STRENGTH

As Australia's largest local government self-insurance pool, we deliver substantial benefits to Members. Our considerable buying power permits negotiation of market-leading, long-term reinsurance treaties with underwriters. High coverage limits for comprehensive protection with sustainably low Member contributions are a given.

Our sheer size makes it possible to dictate bespoke wordings for policy agreements. Rather than underwriters determining our conditions, we insist on individual scheme inclusions based on our membership's collective needs.

The strength of the Mutual and its ability to spread risk, safeguards individual members against financial disaster. Impacts of multi-million dollar claims are absorbed when spread among our 118 Members.

STABILITY

Members gain from our extensive experience and proven track record of stability. We have a solid 24-year history while other providers have come and gone.

Having a stable risk partner with an enviable level of local government expertise means Members have access to a 'whole of risk solution' covering placement of insurance, risk management programmes and claims administration.

The ability for Members to contain costs and build equity highlights the effectiveness of this solution. Sound risk management practices and superior claims handling allow the payment of substantial rebates.

INTEGRITY

Statewide Mutual is owned by Members, governed by a Board of Management comprised of elected Member Council representatives, and managed by Jardine Lloyd Thompson Australia (JLTA).

In the absence of shareholders the Board goes to great lengths to ensure the Mutual acts solely in the interest of Members. They keep a close eye on the numbers to ensure financial viability, including maintaining an appropriate solvency margin.

THE BENEFITS FOR YOUR STAKEHOLDERS

RATEPAYERS

An effective insurance programme must deliver security and value to ratepayers so as not to leave the community exposed to uninsured financial loss, whilst also being economic.

By being a Member of Statewide Mutual, you are part of a wider local government placement that reduces volatility for individual communities and provides certainty around uncertainty.

Key benefits:

- As Members own the Schemes, they benefit from cost containment measures and equity building through generous annual rebates that can go back into their local communities
- Our acclaimed Risk Management Programme is aimed at reducing incidences which in turn makes communities safer for residents and visitors alike
- Our sheer size, the effectiveness of the reinsurance, and our innovative risk management and claims strategies, allow Members to enjoy consistently stable contributions year on year

ELECTED MEMBERS

Statewide Mutual's mission statement emphasises stable insurance premiums, which means your budget cycle is effectively protected regardless of claims outcomes.

Economies of scale, high levels of cover, bespoke wordings, and increased bargaining power are some of the many benefits of being a Member of the Mutual. It provides cover that works, premiums you can bank on, and knowledge and expertise relevant to your business.

The broad cover and high limits offered protects Council from potential administration. There is also specific cover for Councillors.

Key benefits:

- Unlike traditional insurance placement, the Mutual provides access to discretionary claims payments. To date we have provided over \$4m worth of discretionary payments that were not covered under the insurance programme but were paid to support the Members and its community.
- Access to Board-funded programmes to assist the Member Council and its community, including programmes that address climate change, water quality management; business continuity, integrity management and much more.

PROCUREMENT

Do you want your insurance arrangements to be strategic or transactional? Statewide Mutual was set up to support Councils regardless of circumstance. In a traditional placement, if Council has a good claims history it will be attractive to new underwriters and cheap premiums will be offered. However, you lose all the goodwill of that association if big claims occur, often resulting in premiums spiralling quickly or, in the case of very costly claims, renewal may be declined.

The Mutual was set up as a Member-owned organisation to utilise the combined bargaining power of the collective to weather all claims and market cycles for the local government sector. A long term vision and commitment to this model is critical to its success.

The question of whether insurance should be placed through the Mutual or a traditional model is a very difficult process to evaluate in a simple tender. Whilst you can compare direct costs, a tender may not fully evaluate the many additional services the Mutual incorporates to achieve its mission statement.

In particular, how can you evaluate the benefits of a coordinated response to risk management and consistent strategies in claims management outside of a Mutual model?

Key benefits:

- Members can rest assured that they are receiving the best value for their money. The reinsurance is a long term arrangement creating stability of premiums. It is remarketed on an annual basis to ensure the best coverage and a sustainable price is being obtained.
- Without the additional services offered in the Mutual and the focus on risk management which minimises Council's risk and claims exposure, Councils run the risk of deteriorating systems and procedures, and increased claims, which will rapidly result in an increase in the total cost of insurance.

GOVERNANCE

Statewide Mutual is a Member-owned organisation subject to an annual Actuarial and Accounting Audit, with the results released to Members in the Annual Report.

The Scheme Manager, JLT, is required to maintain the appropriate licences with ASIC to administer the Scheme and these are required to be renewed annually. The Scheme Managers are also subject to audits from the reinsurers of the Scheme to ensure industry compliant claims management.

Our Schemes follow the same security guidelines as an APRA regulated insurer. Our capital reserves are maintained at levels that take into account the requirements of APRA, and our reinsurance programmes are arranged through APRA-regulated underwriters or Lloyds of London.

The Board of Management oversee all activities of the Scheme Manager to ensure they meet the needs of the Members in achieving the Scheme's mission statement.

Key benefits:

- The Mutual is able to make discretionary claims payments, which a traditional APRA insurer cannot
- The peer-elected Board of Management ensures the representatives from all 11 NSW regions are the active drivers for the governance of the Mutual

WHAT IS THE ROLE OF THE BOARD AND JLT?



THE BOARD

Our Member-elected Board ensures the Mutual works for the benefit of its Members while utilising JLT’s insurance expertise to provide a ‘whole of risk’ solution.

The Board comprises senior level Management from Councils representing 11 regions in NSW.

We have representation from the full spectrum of Councils, from large metro councils, to large regional centres right through to traditional shire Councils.

This provides for a diverse Board.

We utilise the extensive insurance expertise at JLT to work in collaboration with the Board to ensure the Mutual meets our Members’ insurance requirements.

Chairman

Bill Warne
Queanbeyan City Council
Region: Southern Tablelands

Board Members

Blair Hancock
Port Macquarie-Hastings Council
Region: Mid North Coast

Brett Stonestreet
Griffith City Council
Region: Riverina

Gary Murphy
Lismore City Council
Region: Northern Rivers

Guy McAnally-Elwin
Gilgandra Shire Council
Region: Orana

Jack O’Hara
Walcha Council
Region: North West

Jason Linnane
Singleton Council
Region: Hunter and Central Coast

Melissa McCoy
Shoalhaven City Council
Region: South Coast

Rebecca Ryan
Blayney Shire Council
Region: Central NSW

Ross McCreanor
North Sydney Council
Region: Metropolitan

Scott Philips
Sutherland Shire Council
Region: Metropolitan

Scheme Managers

Gary Okely
CEO, Public Sector
Jardine Lloyd Thompson

Leo Demer
Chairman, Public Sector
Jardine Lloyd Thompson

Keely Autrey
Executive Manager, Public Sector
Jardine Lloyd Thompson

Executive Officer

Naamon Eurell
Statewide Mutual

JLT

JLT is the Scheme Manager of Statewide Mutual and is the market leader in the provision of insurance services to the local government industry administering self-insurance schemes across all states, comprising over 450 entities Australia wide.

When established back in 1993, the Mutual was required to obtain the requisite licences from ASIC to administer the Schemes. These include a licence to:

1. Provide insurance advice
2. Run a Mutual
3. Administer a discretionary trust

JLT is the only insurance broker to hold all three licences and the premier provider of insurance services to local government in Australia. These services include insurance broking and advice, claims management services and risk consulting.

WHY DON'T MEMBERS NEED TO GO TO TENDER?

With the traditional model of purchasing insurance through the market failing Council in adverse times, the participating Councils worked with JLT to set up a more sustainable model to provide a continuing remedy.

In establishing the Mutual, Members wished to establish an insurance Mutual so that they could purchase insurance collectively, self-insure some aspects of their risk, control risk management and run their claims. This model requires a more binding and lasting undertaking than a mere contract and hence the Scheme was established by Deed.

Members' annual contribution to the Scheme is not a traditional contract of indemnity like almost all insurance policies. It is a contribution of a Member to a discretionary trust held for its benefit, not a contract.

Thus, while Section 55 of the Local Government Act is quite specific in that it requires Councils to tender for certain contracts, **Members' contributions do not constitute a contract for the purposes of the Act.**

Further, the agreement made by the Members individually to the Scheme constitutes an agreement between the Member Councils to establish the Scheme **which is an exemption to Section 55.**

Anecdotally in the 24 years the Scheme has operated no Member has ever drawn sanction for participating in the Scheme without going to tender.

If you do go to tender, be sure to do it right

If a Member is considering going to tender, you need to ensure you are comparing apples with apples. The key points to address include:

1. Pricing (actual vs quoted)
2. Cover (policy wording)
3. Deductibles
4. Limits
5. Inclusion of value-added services i.e. risk management and claims capability and support

We are always available to provide guidance to ensure a robust process that will prevent the undoing of the high standards the collective membership has established for the local government sector in the 24 years of the Mutual.

HOW DO WE TEST THE MARKET ON YOUR BEHALF?

RENEWAL PROCESS

Statewide Mutual reviews the reinsurance programs annually through a rigorous marketing process which includes local and international insurance markets.

In the case of the Liability insurance, Members of the Board provide detailed presentations to reinsurers and answer any questions they may have of the Mutual. Importantly, this includes presentations to not only current reinsurers but also potential reinsurers that may wish to participate in the programme. In this way, Statewide Mutual ensures it obtains the best possible coverage at the best possible price.

Prior to approaching the insurance market, claims data is collected, cleansed and checked for accuracy in preparation for JLT actuaries in London to analyse and complete triangulations showing the development of claims since inception of the Scheme. This analysis looks at claims numbers, the amount paid to date and what is outstanding for both public liability and professional indemnity claims.

In addition to the work done by JLT actuaries in London, JLT Australia engage a local actuary to perform a similar exercise which gives an independent assessment of the Mutual and its performance. This information forms a very important part of the renewal pack that is presented to the market each year for the current reinsurers and any potential new reinsurers that are interested in supporting the sector.

Apart from the claims statistics, this renewal pack provides reinsurers with details of the Mutual's industry-leading risk management initiatives that are provided to Members, including Best Practice Manuals, Guidance Notes, and the Continuous Improvement Pathway programme, to name a few. The information in the renewal packs demonstrates to the market the robust risk management initiatives undertaken by the Mutual and its Members to mitigate the risks facing local government.

A similar marketing exercise is conducted on the Property and Motor portfolios where terms are sought from existing reinsurers as well as potential markets provided the appropriate policy terms and conditions are offered.

LONG-TERM RELATIONSHIPS

One of the key elements of the reinsurance programme is the long-term relationships the Mutual has formed with key insurance partners.

All of the reinsurers on the programme have a demonstrated commitment to the Mutual and are not swayed by short-term claims losses, which can be common in conventional insurance markets. By spreading the risk across all Councils, Statewide Mutual and its reinsurers can absorb losses against a large premium pool, enabling them to keep premiums at sustainably low levels.

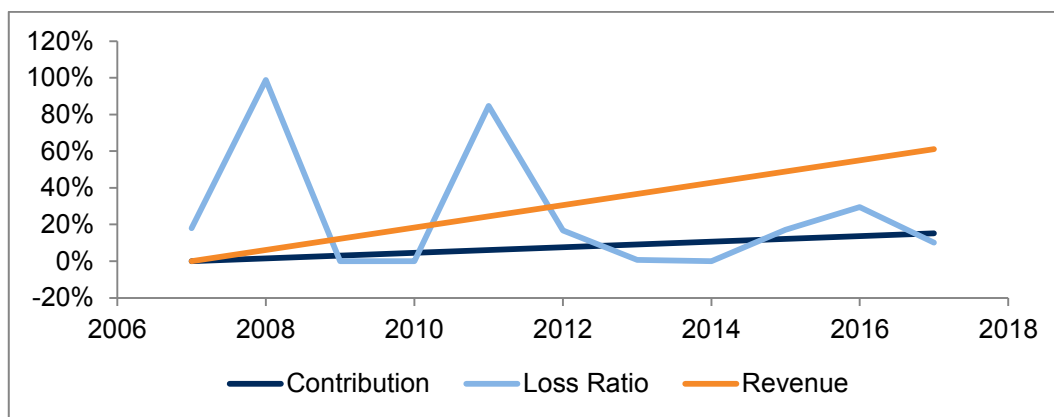
These long-term relationships have resulted in favourable claims decisions and policy wordings that are tailored to Local Government. They have also brought about the establishment of claims experience discounts and premium rebates that are shared back to Members following positive claims experience.

HOW IS THE MUTUAL PERFORMING?

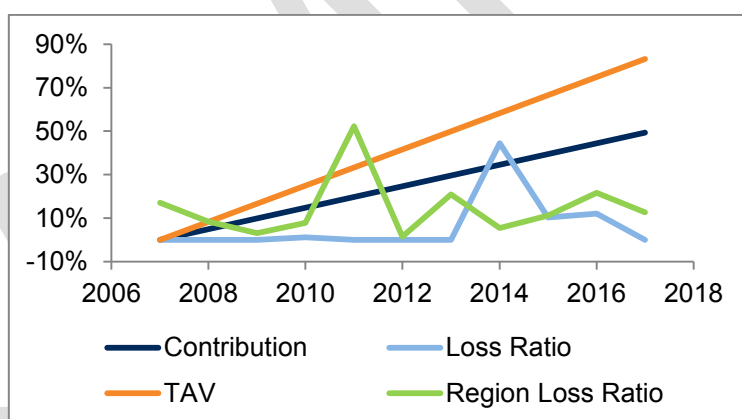
DECREASING INSURANCE COSTS

Whilst the size of our Members business has increased, insurance costs have remained quite contained despite the claims volatility that can occur at times.

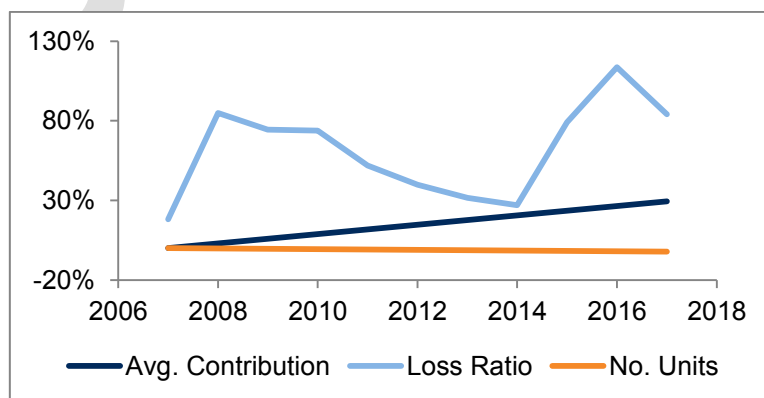
LIABILITY



PROPERTY



MOTOR



HOW HAS YOUR REGION BENEFITED?

The mutual rewards good risk management

Improving claims outcomes through better risk management has led to the release of profit share back to Members through our annual rebate program.

Surplus funds go back into your community

The tailored annual rebate is calculated by taking into account your contributions, your risk management strategies and claims outcomes for the year.

| | REBATE | EQUITY |
|--------------|---|---|
| Your Mutual | <p>\$70m</p> <p>Annual rebate returned to all Members since 2005</p> | <p>\$41.7m</p> <p>Accumulated Members equity</p> |
| Your Region | <p>\$X</p> <p>Returned to the Region Name region</p> | <p>\$X</p> <p>Accumulated equity for the Region Name region</p> |
| Your Council | <p>\$X</p> <p>Returned to Council Name to date</p> | <p>\$X</p> <p>Accumulated equity for Council Name</p> |

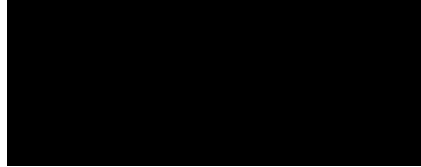
SAMPLE COUNCIL'S CONTACTS

BOARD MEMBER

Name

Email

EXECUTIVE OFFICER



ACCOUNT CHAIR

Name

Email

Phone

ACCOUNT MANAGER

Name

Email

Phone

CLAIMS TEAM

Name

Email

Phone

REGIONAL RISK MANAGER

Name

Email

Phone

Name

Email

Phone

Name

Email

Phone

SAMPLE



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