

**LATE ITEM - COUNCIL MEETING
27 JUNE 2006**

INSURANCE RENEWAL 2006/2007

05581

WARD: All
RESPONSIBLE Mike Tidy
DIRECTOR: Corporate Services and Resource Management

PURPOSE

The purpose of this report is for Council to give consideration to the renewal of Property, Public Liability and Workers' Compensation Insurance for the financial year 2006/2007.

EXECUTIVE SUMMARY

The City's insurance premium for 2006/2007 financial year as advised by the Municipal Insurance Broking Scheme (MIBS) for the following covers are as shown in the table below:

CLASS OF INSURANCE	PREMIUM	INSURER
	\$ (exclusive of GST)	
Municipal Property Scheme		
Industrial Special Risks	314,694.29	Municipal Property Scheme
Multi Risks/General Property	10,426.24	Municipal Property Scheme
Public Liability	452,980.00	Municipal Liability Scheme
Workers Compensation	567,811.00	Municipal Workers Scheme
TOTAL	1,345,911.53	

It is recommended that MIBS be advised that Council:

- 1 *CONTINUES to participate in the burning cost scheme for the Workers Compensation insurance premium during 2006/2007 based on the following:*

*Minimum Payment 1.63% of payroll
Deposit Payment 2.03% of payroll
Maximum Payment 3.53% of payroll*

And that payment of the deposit premium of \$567,811.00 (exclusive of GST) be made in two equal instalments on 15 August 2006 and 15 November 2006 respectively

- 2 *ACCEPTS the 2006/2007 Public Liability insurance premium of \$452,980.00 (exclusive of GST) to be paid in two equal instalments, on 15 August 2006 and 15 November 2006 respectively*
- 3 *ACCEPTS the 2006/2007 Industrial Special Risks and Property insurance premiums totalling \$325,120.50 (exclusive of GST) to be paid in two equal instalments on 15 July 2006 and 15 September 2006 respectively.*

BACKGROUND

In 1995/96 the former City of Wanneroo became an inaugural member of the Local Government Insurance Services insurance scheme operated under the auspices of WALGA. One of the main purposes of the scheme is to achieve cost savings through economies of scale for the benefit of all participating local governments in the areas of:

- Workers Compensation insurance (commenced 1995/1996)
- Public Liability/Professional Indemnity insurance (commenced 1995/1996)
- Property (ISR) Insurance (commenced 2002/2003)

As a participating member of these schemes, Regulation 11 (2) (b) of the Local Government (Functions and General) Regulations 1996 applies eliminating the need for the City to call tenders for the above insurance covers.

DETAILS

Workers Compensation Insurance

Since 1 July 2001 the City elected to operate its workers compensation insurance through the "Burning Cost" arrangement.

A burning cost arrangement operates where the annual premium is determined by reference to claims experience. A portion of the premium is paid as a deposit and the remainder is determined at a later stage based on claims made during the year and settled thereafter, which usually occur between three to five years after the date of the insured event.

The minimum premium is set at 1.63% with a deposit rate of 2.03% and is capped at a maximum rate of 3.53% of the total salaries/wages paid during the year, including superannuation.

	2006/07	2005/06
Estimated salaries and wages	\$27,971,025	\$25,891,255
Deposit Rate @ 2.03%	\$567,811	\$525,592
Maximum Exposure @ 3.53%	\$987,377	\$913,961

The minimum, deposit and maximum rates are all unchanged and the reason for the premium increase of \$42,219 at the deposit rate is due to salaries and wages growth. Note there is an end of year adjustment to reflect actual salaries and wages.

The government surcharge for the HIH collapse is payable on both the burning cost and the single rate premiums. It represents 0.03% of the City's estimated payroll for 2006/2007.

Public Liability Insurance

The former City of Wanneroo (and the City of Joondalup since 1 July 1999) has been a member of the Municipal Liability Scheme since its inception on 1 July 1995.

Participants of the scheme have since enjoyed the benefits of lower premiums, enhanced insurance coverage and a better service. Comparative rates over the last two years are as follows:

	2006-2007	2005-2006
Premium (GST exclusive)	\$452,980.00	\$435,560.00

The premium increase in 2006-2007 is due to the increase in the Municipal Liability Scheme re-insurance costs.

Payment of the contribution will be made in two equal instalments, due on 15 August 2006 and 15 November 2006.

Property (ISR) Insurance

This scheme is a relatively new scheme set up by Local Government Insurance Services, and commenced on 1 July 2002. Previously the City requested Municipal Insurance Broking Services (MIBS) to seek tenders on the City's behalf.

The City's buildings were valued by the Valuer General's Office during 2003/2004. Since then values have been adjusted according to the Cordell Building Cost Guide.

Additionally the City has conducted an internal review of the valuation of other insured asset classes, which in all total \$179,312,967 for 2006/2007 compared to \$170,534,404 in 2005/2006 representing approximately 5% increase in value.

The total declared Replacement Value for the financial year is dissected into the following asset classes:

	2006/07	2005/06
Buildings	\$144,887,050	\$144,887,050
Library Book Purchases	\$9,743,756	\$9,743,756
Ornamental Street Lighting	\$6,761,602	\$6,761,602
Artifacts and Artworks	\$365,548	\$365,548
Computer Equipment	\$5,769,380	\$5,769,380
Furniture & Fittings	\$1,141,042	\$1,141,042
Other Plant and Equipment	\$1,448,115	\$1,448,115
Miscellaneous Structures	\$3,485,548	\$3,485,548
Business Interruption	\$1,550,000	\$1,550,000
Total Value	\$179,312,967	\$179,312,967
Premium (exclusive of GST)	\$325,120.50	\$320,057.00

There has been no significant increase in ISR rates and the premium increase of \$5,063.50 is due to an increase in the declared replacement value.

Issues and options considered:

Not Applicable

Link to Strategic Plan:

Objective 4.1.1 – Ensure financial viability and alignment to plan.

Legislation – Statutory Provisions:

Workers Compensation insurance is a requirement of the Workers Compensation and Injury Management Act 1981.

Risk Management considerations:

Insurance is a Risk Strategy to limit potential losses to the City's assets to the deductible amount of individual policies.

Financial/Budget Implications:

Workers Compensation Insurance	\$567,811.00	(excluding GST)
Public Liability Insurance	\$452,980.00	(excluding GST)
Property Insurance	\$325,120.50	(excluding GST)

Policy implications:

Policy 2.1.3 – Occupational Safety and Health outlines the City's commitment to providing a safe and healthy work environment for all its employees. Workers Compensation insurance links to this policy as does the burning cost premium option.

Regional Significance:

Not applicable.

Sustainability implications:

Property Insurance – financial and social sustainability is addressed by ensuring continuity of assets used in delivery of the City's services.

Public Liability Insurance – financial sustainability is addressed by ensuring the City's risk exposure to third party claims is reduced to deductible amount.

Consultation:

Not applicable.

COMMENT

The City has reviewed the level of its insurance cover and received MIBS quotations for the provision of Property, Public Liability and Workers Compensation insurances as detailed in this report.

The Cover is provided by the relevant Municipal Insurance Schemes, of which the City is a participating member, which eliminates the need to call tenders as authorized under the Local Governments (Function and General) Regulations 1996.

Acceptance of this quotation is recommended.

ATTACHMENTS

Nil

VOTING REQUIREMENTS

Simple Majority

RECOMMENDATION

That Municipal Insurance Broking Scheme be advised that Council:

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