

7.3.3 INSURANCE RENEWAL FY24/25

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RECOMMENDATION

That Council notes the report.

INTRODUCTION

This report provides information on the placement of Monash City Council's portfolio of insurances for financial year 2024 to 2025.

Overall, City of Monash managed to achieve its budget target of 10% through an overall premium **5.32% increase**, a strong result when taking in account the average 15% increase seen for Victorian Councils and City of Monash's locality. This is a result that could have only been achieved through an exemplary and concerted Council wide effort.

DISCUSSION

JLT Public Sector, (a subsidiary of the Marsh & McLennan Companies) are Council's appointed Risk Advisors providing the risk transfer renewal program. The insurance portfolio is predominantly placed by JLT Public Sector, the only exceptions being the Public Liability and Professional Indemnity and Commercial Crime insurance which is placed directly with MAV Insurance.

MARKET CONDITIONS

While the insurance environment is far more welcoming than in previous years, given the risk profile and claims volume experienced by the local government sector insurers still deem councils to be 'high-exposure' and therefore apply conservative pricing models.

The insurers in the global market have prioritised a return to profitability. This is being achieved through overhauls of policy coverage and the scaling back of underwriting to focus on the key or 'more profitable' areas. These trends along with Australia's insurance market being impacted by natural catastrophes and inflationary pressures have all played a role in the insurance renewal outcomes.

Given these market conditions JLT public sectors approach has been to work with the existing panel of insurers from across Australia to provide the best long-term strategic results for Council's risk transfer program, in addition to approaching new insurers where strategically appropriate.

PROPERTY RISK PROTECTION (ASSETS)

Monash City Council continues to place its property insurance with the Jardine Mutual Asset Protection Plan (JMAPP). The JMAPP scheme is a mutual discretionary fund scheme established for JLT Victorian local government clients with a primary cash pool established from members' contributions. This means that the members are insuring the first level of claims themselves from

the pool. A key strength of the scheme is that it provides stability and confidence to its local government clients regardless of the volatility within the insurance market.

The JMAPP scheme saw a more manageable increase from last year on the back of the broader property market seeing a flattening off in the pricing cycle over the latter half of 2023 and into the start of 2024 and a reduction in the growth of Council's asset base.

PUBLIC LIABILITY & PROFESSIONAL INDEMNITY

City of Monash had a strong result in the renewal of its public liability and professional indemnity policy in comparison to the average increase of 15% seen by most councils. The primary drivers of this were as follows:

1. **A consistent rise in claims costs and frequency:** In the last five years, total claim costs across insurance types have increased from about \$23 million to \$57 million.
2. **Rising reinsurance costs:** The scheme has seen an 11% increase in reinsurance program costs. This reflects a growing view among reinsurers that large claims are increasing significantly – and well above typical claim inflation.
3. **Personal Injury:** Doubled in volume since 2020/2021.
4. **Property Damage:** Increase in volume and cost and largely due to frequency of adverse storm events.
5. **Professional Indemnity:** less frequent but becoming more expensive.

To manage these premiums, City of Monash had had a significant jump in its deductible. Discussions are still on going with the MAV to explore alternate premium versus deductible options to better manage this increase.

CYBER INSURANCE

Cyber risk has been rated in the top two risks facing the local government sector in the JLT Public Sector National Risk Report for the past three years.

Since the difficulty in negotiating cover in 2021, the cyber insurance space has been one where JLT Public Sector were confident in the overall strength of our program and ability to negotiate.

The policy also saw such policy enhancement as the removal of the ransomware co-insurance clause, increased coverage for IT hardware and access to the Clyde & Co response line in the event of an incident.

SUMMARY OF INSURANCE PROGRAM 2024/2025

Class of Insurance	Insurer
Industrial Special Risks (Property & Art works)	JMAPP (Jardine Mutual Asset Protection Plan)
Public Liability & Professional Indemnity	MAV-LMI Insurance
Motor Vehicle	AAI Limited T/As Vero Insurance
Community Liability	QBE Insurance (Australia) Ltd
Commercial Crime	MAV Insurance
Environmental Impairment Liability	Liberty Specialty Markets
Cyber Liability	Chubb Insurance
Councillor & Officers Liability	XL Insurance Company SE
Contingent Liability Policy	Lloyd's of London
Personal Accident Insurance	Chubb through Victor Insurance (PA)
Corporate Travel	Chubb through Victor Insurance (Travel)
Plumbers Liability	Zurich

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

There are no social implications to this report.

CONSULTATION

Community consultation was not required.

HUMAN RIGHTS CONSIDERATIONS

There are no human rights implications to this report

GENDER IMPACT ASSESSMENT

A GIA was not completed because this agenda item is not a 'policy', 'program' or 'service'.

FINANCIAL IMPLICATIONS

Overall, twelve policies were renewed for an increase of **5.32%** which was a drop from the 15.49% increase we saw last year. This was also under the amount Council had budgeted for being a 10% increase, which was a difficult goal given rising claims costs from end to end and the decreasing appetite of insurers and reinsurers to take on risk in the local government sector.

Discussions are still on going with the MAV to explore alternate premium versus deductible options to better manage this increase.

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