

Finding best value for money in local government insurance

Mornington Peninsula Shire



When Carl Cowie was appointed as CEO of the Mornington Peninsula Shire, his remit was to apply his experience from outside the local government sector to find ways for the Shire to operate more efficiently and effectively.

Finding a strong, solid and reputable provider that offers choice and independent insurance advice

In looking across the business, he turned his attention to major cost items and was advised that insurance had been with the same provider for at least ten years. Working with his CFO, and Insurance and Risk Manager, he wrote to the current provider advising them that he would be testing the market to see what other offers were available that would provide the Shire with the protection it needed for itself, the public and its assets.

“Through my previous experience with large organisations, I have always preferred to have a strong relationship with a very good insurer. It’s not about being cheap, but about being a strong provider with a solid reputation, able to add value. Then you look to see how the numbers fall.”

During the exercise he became aware that Ballarat City Council had recently moved their insurance to the competitive insurance market and saved a significant amount of money. “This effectively confirmed my thinking that you periodically need to test the market on certain things, and it has to be done more frequently than every decade.”

During the Shire’s examination of its insurance needs, Carl and his CFO considered several options. Following a complimentary benchmarking exercise offered by Aon, they found that through the competitive insurance market, Aon offered value for money at substantially lower premium prices than those they had been paying for a number of years.

“At first, of course, that makes you think whether you’re comparing like with like, or are we getting something quite inferior – which didn’t turn out to be the case.”

Understanding your risk profile and current arrangements

Carl Cowie says that together with his CFO, and Insurance and Risk Manager, Aon conducted an in-depth analysis

of the Shire’s risks, insurance needs, insurance policy wordings and cover, and current insurance premium expenditures, to ensure that their offer would be as good as, or better than, the previous arrangements.

“For me, ensuring that we have solid protection in place is paramount. We have more than 800 buildings that are owned and managed by the Shire, with many of those used by the community on an ongoing basis – some of them morning, noon and night, as well as weekends. This, combined with significant areas of bush subject to bushfire risk, makes people risk one of our top concerns. We also have responsibility for about 2,500 kilometres of road infrastructure, and with the Mornington Peninsula accounting for 10% of Victoria’s coastline as our border, another set of particular insurance risks and challenges arises. Aon put together a really good team of experts that worked through all our specific circumstances, and came to the party with great products and a very good financial offering.”

Achieving councillor buy-in

Asked about the challenges of selling-in the change to the Shire’s Councillors, Carl Cowie says that although in local government things are often done the same way for a very long time, the Councillors’ greatest concern was to be certain they were getting at least as good an offering if not better.

“What the exercise demonstrated, was that through testing the market we could arrive at a significant saving, yet maintain the same level of assurance across all key areas of risk. To my mind, this is an important step to ensure we are able to obtain ‘best value’ for our ratepayers.”



Did savings result in lower cover?

“One of the things that emerged is that sometimes you can over insure, and so we looked closely at all our levels of cover. Aon was able to bring the experience to the table and identify where this might be the case, however we still decided to err on the side of caution, and where perhaps 70% of the current cover was identified by Aon’s independent advice as being sufficient, we decided to stay with maybe 85%. We didn’t go as lean as their advice suggested we could, but from a conservative prudence perspective we felt more comfortable with retaining these levels. We may of course re-examine this in the future.”

Notwithstanding the reduction in some areas, Carl Cowie is quick to point out that it’s not a deal based on the Shire taking on all the risk. “Ours is such a large geography, 720 square kilometres of land. The cover we have in place is substantial. So too, however, are the savings we achieved.”

Freeing up funds for new community programs and projects

“Much of the almost \$700,000 we saved against our draft budget published in March 2015 by switching to Aon, was allocated back into the final budget process. This allowed us to bring forward programs and projects to benefit our community that otherwise couldn’t have been funded until next year.”

Some of this includes sealing a car park in Mornington, a contribution for an access road near Tyabb airfield, money for cliff stability at Safety Beach, and cash for music, art, sport and a history project.

Carl Cowie also says local government organisations will increasingly need to be more commercial and scrutinise expenditure in preparation for rate capping, which is to be introduced by the Victorian State Government at the commencement of the 2016/2017 financial year.



Three steps to reviewing your current insurance

- 1 Analyse your current insurance requirements, cover and pricing.
- 2 Benchmark your current insurance arrangements within the competitive insurance market to inform your council of the alternative insurance options available.
- 3 Test the competitive insurance market against your current insurance arrangements through public tender to take advantage of competitive pricing, greater choice and independence of insurance and risk advice.

Find out more

Aon is committed to assisting councils achieve significant cost savings in their annual insurance premiums, through independent, transparent and contestable solutions that are tailored to each council's risk profile and needs.

For more information and a complimentary benchmarking exercise, contact Paul Crapper, National Head of Local Government, on 03 9211 3313 or paul.crapper@aon.com.

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