

Tailoring insurance solutions to match a local government's individual risk profile

Torres Strait Island Regional Council



The Torres Strait Island Regional Council (TSIRC) is a unique Indigenous local government in Queensland located between the tip of Cape York, Australia, and the Western Province of Papua New Guinea. With its diverse service offering and numerous geographical and logistical challenges, it faces a far more complex set of risk concerns than those covered by the cookie-cutter approach of most pooled mutual insurance schemes. In testing the commercial market, the council was not only able to secure truly tailored insurance coverage, but also achieved better value for its 15 island-based communities.

Beyond roads, rates and rubbish

Chris McLaughlin has been a key member of the Torres Strait Island Regional Council (TSIRC) team for more than seven years. Initially employed as the Chief Legal Officer in 2009, he was appointed Executive Manager of Corporate Services in 2014, and insurance was one of the first issues he began examining. Not just from a value-for-money perspective, but also whether the current arrangements adequately matched the council's risk profile. He quickly discovered, they didn't.

"We're a fairly complex organisation. As well as being a local government, we are the trustee of 13 Deeds of Grant in Trust under the Torres Strait Islander Land Act 1991 (Qld) and the Aboriginal Land Act 1991 (Qld), held for and on behalf of our constituents. We are also a housing provider under the Housing Act 2003 (Qld), and have more than a thousand houses in our social housing stock."

In addition, the council operates a building services unit (that undertakes both council and private work), and runs a legal services division, which amongst other things, helps Council to navigate native title, cultural heritage and the ever-growing list of compliance issues that local governments must address daily. In addition to the common municipal services generally provided by local government, the council also offers child care, manages home and community care, and provides tenancy management for its housing portfolio. Council's engineering team is also presently constructing a sea wall at Saibai Island, at a cost of about \$26 million.

One size does not necessarily fit all

"When I came into this position, I tried to take a fresh approach to risk management and insurance. Our communities are very unique and my experience with our insurance was that instead of getting a tailored product, we were essentially getting one that was suitable for south-east Queensland. Frustratingly, under the mutual pooling arrangement, there was no capacity for the product to be tweaked for us."

"For example, there is also a lot of vessel travel between the islands. It's the number one mode of transport in the Torres Strait, and the one our constituents are most competent at, and confident with. But under the mutual, we couldn't get cover for sea travel. It was clear we needed a solution for our organisation, not one that fits everybody — but not very well."



Applying sound contracting principles to insurance procurement

While securing a tailored insurance product was an urgent priority for the council, obtaining value for money was also a critical concern.

“I decided to look at it again from a procurement point of view. This was a contract for services in excess of \$200,000 and therefore we had to go to tender unless there was an exemption under the Local Government Regulation 2012 (Qld). Our legal advice was that insurance, even when placed through a mutual, is not exempt from the tendering process. So, taking into account our obligations to have regard to sound contracting principles requiring consideration of such matters as value for money, we decided to go to market.”

Initially, Mr McLaughlin encountered some resistance from within the council to making changes to their existing insurance arrangements. However, he says this was simply due to a perception that the mutual was the only viable option.

“Council prides itself on being innovative and doing things differently. So selling it to councillors was simply a case of putting them into a fully-informed position. We put all the facts to them, all the pros and cons of the various options we were looking at, and in the end they agreed with the executive management team that change was needed – and they embraced it with both hands; we have never looked back.”

The value of testing the competitive market

Before going to tender, the council advised the mutual of their intention to test the competitive market as required under the fund rules. Various tenderers put in their bids and Mr McLaughlin says that he and his team went through them with a fine-tooth comb before finally putting their recommendation to Council.

“A major factor in our decision was value for money and those sound contracting principles. Aon put together a truly holistic package. They were very competitive from a pricing point of view, but also importantly, offered tailored and comprehensive coverage. They proposed options that weren’t included by others. The options addressed exposures in key areas such as environmental cover, airports cover, and the separate watercraft cover, unique to our local government area.”

While the council took out a number of tailored coverages with Aon, Mr McLaughlin says that the total package was still competitive from a pricing perspective with that provided by the mutual. In addition, they were impressed by the level of service they received.

“Communication from Aon was great, and is one of the reasons the transition was so smooth. Once we entered the brokerage agreement, it only got better. Through their claims manager in Cairns, claims management has also become very simple. In fact we often feel that she’s working for us and no one else. There’s a real client focus.”



Better risk cover and a boost to future sustainability

For the council, insurance is a substantial cost, especially as much of their infrastructure is duplicated across 14 islands, 15 communities.

“With more than a billion dollars of assets on our books, the savings we’ve achieved through taking our insurance to the competitive market have gone towards making Council more sustainable, which is obviously really important. By helping to reduce our expenses, it’s also assisted us in making the most out of the limited revenue we get, and ensuring as much as possible gets to our constituents on the ground.”

Find out more

Aon is committed to assisting councils to 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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