

April 2018

[View this email in your browser](#)



A message from the Chairman

Dear Member,

You may have seen or be aware of an article in the *Australian Financial Review* published on 15 April and a subsequent letter from Quinn Emanuel seeking to develop interest in commencing a class action alleging councils 'may have paid excessive premiums'.

The suggestion that councils may have been paying excessive premiums is unsupported by facts. As you are well aware, premiums can vary depending on the limits and level of cover purchased and an individual council's deductible.

The Statewide Mutual offering goes well beyond the traditional buying of insurance with a number of value added benefits of membership. Despite this, our Member contributions continue to be extremely competitive which has been confirmed throughout any tender process we have been involved in.

We are confident that the Statewide Mutual offering is superior to any other product in the market place and we have no doubt that Statewide is providing the best and most suitable cover at the best possible price.

Additionally, should there be any 'excess contributions' paid by Members i.e. contributions not used to pay claims, this is either accumulated in surplus funds as reserves to pay future losses (which is owned by the Members and forms the basis of each Members equity in the scheme) or alternatively it is returned to the Members in the form of a distribution rebate as deemed appropriate by the Board of Management. To date, Statewide Mutual has returned \$70m in rebates to its Members.

Finally, I would like to reassure Members that any potential class action or action by individual councils as discussed in the media release will not affect the financial viability of the Mutual or any Members equity in the scheme.

10/28/2018

A message from the Chairman

See below the response JLT provided to *Insurance News* yesterday.

We will keep you informed as things develop but if you have any questions or would like to discuss further in the interim please feel free to contact myself or your local Board Member.



Bill Warne
Chairman Statewide Mutual

"The local government schemes we administer around Australia are all Mutual schemes which means that all the surpluses generated by those schemes belong to the Member Councils. Every scheme produces an audited set of accounts which clearly define the significant surpluses that are sitting in those schemes for the benefit of Members.

It should not be forgotten that these schemes were created due to the fact that councils in Australia could not buy any cover in the open market at the time.

The suggestion that councils have paid excessive premiums is unsupported by the facts. During the renewal season in June last year some 54 councils went to public tender or obtained alternative quotes to the schemes. Of those 54 councils, 50 received renewal premiums from the schemes that were lower than any alternatives, and the remaining 4 downgraded their cover.

It is also a fact that last year 4 councils left a Mutual scheme in one State due to it being provided with premiums lower than the Mutual, however, within a few weeks before the renewal date these 4 councils returned to the Mutual scheme as the broker providing the lower terms could not actually place the council insurance at the premiums it offered. It is highly unlikely that these 4 councils would return to the Mutual scheme if the premiums were excessive when compared to the general market."

Leo Demer
Global Head of Public Sector
Jardine Lloyd Thompson

<https://mailchi.mp/e0d22e58f923/a-message-from-the-chairman>

2/3

JLT hits back at council class action threat

17 April 2018

JLT has rejected suggestions that local councils should pursue a class action over premium levels paid for cover provided through mutual schemes administered by the company.

Law firm Quinn Emanuel Urquhart & Sullivan (QE) says investigations into a potential class action on behalf of local councils are well advanced and litigation funder Harbour Fund will provide financing if a case proceeds.

But JLT says there is no basis for such an action.

"Mutual schemes were created because councils in Australia could not buy any cover in the open market. The suggestion that councils have paid excessive premiums is unsupported by the facts," JLT Global Head Public Sector Leo Demer told insuranceNEWS.com.au.

JLT says some 54 councils went to public tender or obtained other quotes during the renewal season last June, with 50 continuing to receive insurance through the schemes at rates lower than the alternatives, while four changed their cover.

Mr Demer says four councils in one state that left a mutual last year due to the offer of lower premiums later returned to the scheme.

"A few weeks before the renewal date these four councils returned to the mutual scheme as the broker providing the lower terms could not actually place the council insurance at the premiums it offered," he said.

Mr Demer's comments contradict claims by QE Managing Partner Michael Mills, who says "a number of local councils" have made substantial savings on premiums since leaving JLT.

"[This] indicates that JLT may not have acted in the best interest of local councils or their ratepayers, who really are the ones 'paying the cost' for these insurance schemes," he said.

QE says it is exploring class action proceedings on behalf of councils nationwide, starting with Victoria, NSW and WA. The firm has invited councils to register their interest if they were advised by JLT on insurance, or were members of schemes from June 30 2006.

Mr Mills told insuranceNEWS.com.au that there had been a high level of preliminary interest from councils and a decision on going ahead was likely in the near-term.

JLT provides insurance services to more than 500 local councils.

More details in our regular bulletin on Monday.

JLT defends council program over class action threat

23 April 2018

JLT has defended its track record providing insurance for councils through mutual schemes, as a law firm continues to call for councils to sign up for a class action.

"Every scheme produces an audited set of accounts that clearly define the significant surpluses sitting in those schemes for the benefit of members," JLT Global Head Public Sector Leo Demer told insuranceNEWS.com.au.

"Mutual schemes were created because councils in Australia could not buy any cover in the open market. The suggestion that councils have paid excessive premiums is unsupported by the facts."

JLT provides insurance services to more than 500 councils across Australia.

As reported in a Breaking News bulletin last week, law firm Quinn Emanuel Urquhart & Sullivan (QE) says investigations into a class action over the services and level of premiums paid by councils are well advanced, with litigation funder Harbour Fund willing to provide financing if a case proceeds.

The firm says it is already acting for Mornington Peninsula Shire Council, which last year took Federal Court action to gain access to documents.

QE Managing Partner Michael Mills says "a number of local councils" have made substantial savings on premiums since leaving the JLT-administered mutual schemes.

But Mr Demer says of the 54 councils going to public tender or obtaining other quotes during the renewal season last June, only four changed their cover, while 50 continued to receive insurance through the schemes at rates lower than the alternatives.

Last week the Australian Financial Review said the City of Ballarat made more than \$600,000 in savings after putting its insurance out to tender in 2014. The assertion was repeated verbatim in a bulletin published the same day by a competitor publication to insuranceNEWS.com.au.

insuranceNEWS.com.au understands this allegation was made by one person two years ago and was found at that time to be inaccurate.

A council spokesman confirmed to insuranceNEWS.com.au today that the \$600,000 figure is not accurate, and the council still uses JLT.

Mr Demer says last year four councils that left a mutual scheme in one state returned to it a few weeks before the renewal date "because the broker providing the lower terms could not actually place the insurance at the premiums it offered".

QE has invited councils to register their interest if they were advised by JLT on insurance, or were members of schemes from June 30 2006.

Mr Mills told insuranceNEWS.com.au there has been a "high level" of preliminary interest from councils and a decision on whether to proceed is likely soon.