CITY OF GOLD COAST

INSURANCE COMPANY LIMITED

PUBLIC STATEMENT
July 2018

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Background

Under the Queensland Local Government Act, Councils are required to have, as a minimum, $30 million insurance cover for public liability insurance and $10 million for professional indemnity insurance.

The City of Gold Coast (the City) has greater insurance cover than the minimum. It includes:

- Public liability (loss or damage to a person or their property caused by a breach of duty of care)
- Professional indemnity (covers negligence or breach of duty arising from the performance of professional services)
- Industrial special risks (loss, destruction or damage to City property, including assets such as buildings, stock, plant and machinery)
- Contract works damage (loss or damage arising out of engineering and construction works etc, project materials, plant and equipment)
- Motor accidental damage
- Environmental impairment liability
- Terrorism risks (mandatory in Australia)
- Other (e.g. business interruption)

A short history of insurance cover for local governments

Since 1978, some Councils in Queensland had been participating in an insurance bulk buying pool. In 1988, the Local Government Insurance Service was established because, at the time, it was unusual for Australian insurers to provide liability insurance to Councils.

In 1989 the possibility of Queensland Councils becoming involved in a pooling concept for liability insurance was investigated, however, premium and claim levels at the time were too high. However, also in 1989, Municipal Mutual, which had been established as a result of the pooling of Councils in the United Kingdom, entered the Australian insurance market and for a time, premiums for Councils decreased. By mid-1992, following Municipal Mutual's decision to cease underwriting in Australia from 1 April 1992, premiums were returning to their former levels. The concept of pooling of liability insurance for Queensland Councils was then again investigated.

With very few insurers prepared to provide public liability cover for Councils, arrangements were made with the major government insurance offices (i.e. Suncorp and GIO) for public liability and products liability, excess public liability and professional indemnity and industrial special risks.

The 'Group Insurance Concept' started in NSW and operated in Queensland from mid-1992. In July 1993, Jardine Lloyd Thompson was appointed to investigate the viability of a State-wide liability insurance pool and subsequently created a similar pool in all States.

History of insurance cover for the City - What we used to do

By 1996, the City was no longer in the Local Government Mutual pool. At this time, the City also had a large 'excess', a form of self-insurance where certain levels of risk are retained by the City rather than being insured under its public liability cover.

Although from 1996 to 2002, the City was able to demonstrate an excellent claims record under its public and professional liability insurances, it could not secure cover within the Australian insurance market as all Australian insurers declined to provide a premium quote. The City instead negotiated terms, which reflected its favourable claims record, with a London based insurer.

By 2002, public and products liability insurance and professional indemnity insurance were placed in the London insurance market at a premium which compared very favourably with premiums on offer through the Queensland State Liability Pool.

The City's ability to achieve a relatively low level of premium in difficult market conditions was due, in part, to personal representations made by City officers to the London insurers. The City's focus on good corporate governance and risk management was recognised by insurers.

So what is a 'Captive' insurance company?

A Captive insurance company[1], simply put, is a wholly owned insurance subsidiary of an organisation whose principal business is not insurance.

Captive insurance companies are licensed and regulated and are a mechanism for purchasing 'reinsurance'. (Reinsurance is cover purchased by an insurance company from the wholesale reinsurance market to protect it from losses on the business that it has underwritten.)

Reinsurance is an extension of the concept of insurance, in that it passes on some of the financial risk for which the original insurer is liable to another insurance company, the reinsurer, through the purchase of insurance from the reinsurer. This limits the total loss the original insurer would experience in case of a disaster.

The original insurer and the reinsurer enter into a reinsurance agreement which details the premium to be paid to the reinsurer and the conditions upon which the reinsurer would pay a share of the claims incurred by the original insurer.

How long have captives been around?

The concept of captive insurance companies was developed in the 1950’s by Mr Fred Reiss, an American fire protection engineer undertaking assessments on buildings. He consistently heard complaints from clients on how difficult it was to obtain insurance cover and how high the premiums were. He recognised this as an opportunity to provide a way of financing cover for risk exposures that, ultimately, could reduce the cost of insurance.

He coined the term 'captive' from his first client, a manufacturer who owned his own mines, called 'captive mines', to produce the company's raw materials. At the time, the US regulators did not recognise the controlled risks of a captive, so Mr Reiss searched for other more suitable jurisdictions to establish a captive insurance company.

In 1962, changes in US tax regulations, coupled with the introduction of rules for the tax treatment of offshore captives, prompted many companies, including Mr Reiss' clients, to seek out secure and suitable overseas locations, or 'domiciles', for their subsidiaries and, by extension, their captive companies.

Initially, the major international brokers and large insurance groups opposed the captive insurance concept, however, the relaxation of exchange control restrictions in the early 1970’s sparked significant interest in Bermuda, the world's first captive domicile established in 1962. From the mid 1970s, the captive formation trend expanded to jurisdictions beyond Bermuda.

The greatest stimulus to the development and growth of captives has been premium costs and the lack of availability of certain types of insurance cover, however, even when commercial premium rates have been extraordinarily low, the interest in captives has continued to grow. This is evidenced by not only the number of captives being formed but also by the increasing number of domiciles available for their incorporation.

How many captives are there world-wide?

As at 2017, there were around 6,647 captive insurance companies[2] worldwide writing more than US$30 billion in premiums.

[1] Refer to a few useful definitions·- End of document

[2] Source: International Risk Management Institute, Inc. “Captive Insurance Issues and Trends 2018”

Why did the City establish a captive insurance company?

Historically, the City paid millions of dollars annually in premiums and claims under the different categories of insurance with cover provided by both Australian and UK insurers.

In 2003, faced with escalating insurance costs and reduced cover due to the terrorist attack on the World Trade Centre on 11 September 2001 and the HIH Insurance collapse, the City started exploring the possibility of alternatives to insuring in the traditional market.

Around this time, the most catastrophic loss ever experienced by the insurance industry occurred as a result of Hurricane Katrina, the estimated cost to the insurance market being in excess of $US76 billion. To put this in perspective, this was around three times the loss experienced by the insurance industry following the September 11 terrorism attack. The anticipated impact of Hurricane Katrina was that reinsurance cover would cost significantly more for both insurance underwriters and companies and these increases would flow through to the retail insurance market with expected premium increases for property risks to be around 40% and for liability risks, around 25%.

Investigations into the City establishing a captive continued with a feasibility study completed in 2006 to look at the nature of captive insurance and to increase the understanding of its role and its relationship to traditional insurance and reinsurance markets.

Further due diligence included various reviews undertaken by the Department of Local Government, Treasury, Queensland Audit Office, the City's Audit Advisory Board and the City's Internal Audit branch.

A business case was prepared and considered in 2006 with the Council duly deciding to establish a captive in Guernsey. Heritage Insurance Management Limited, the leading independent captive insurance manager in Guernsey, was appointed as manager following a tender process.

The outcome was that the Council resolved on 7 November 2006 to approve the establishment and operation of a captive insurance company.

The inaugural board meeting of the captive (Gold Coast City Council Insurance Company Ltd) was held on 27 June 2007 following the approval of the Business Plan and issue of an insurance license by the Guernsey Financial Services Commission.

Importantly, the establishment of the captive further strengthened the corporate governance capability of the City and was an appropriate next step as it sought to maximise the value of its overall insurance spend over time and manage its risk profile in a manner befitting its reality as one of Australia's largest public, private or not-for-profit organisations.

Why is Guernsey the domicile and not Australia or elsewhere?

Utilising an Australian incorporated company as a captive insurer was not a viable option as Australia did not have legislation covering the prudential framework for financial operations. At the time of the captive's establishment, there were concerns that people in Australia were acquiring insurance cover from offshore foreign insurers, without the protection of prudential regulation to ensure that in the event of a claim being made, the insurer was capable of paying a successful claim.

Outside of Australia, there were four viable domiciles originally considered, being Bermuda, Guernsey, Isle of Man and Gibraltar.

Of these, Guernsey and Bermuda were mature captive domiciles, and, of the two, Guernsey's regulations were more robust. In addition, Guernsey offered more flexible investment options and was physically close to the London insurance market.

Due diligence undertaken as part of the feasibility study in 2006 confirmed Guernsey as the preferred domicile as:

- it is considered to be Europe's leading captive insurance centre
- it is recognised by the Eurozone, London and other markets as a legitimate and acceptable jurisdiction with which to conduct trade (a captive cannot trade without an insurance license from an endorsed jurisdiction)
- companies incorporated in Guernsey are not subject to any form of currency or monetary control. They may, therefore, trade and maintain bank accounts in any currency or country and are completely free to remit, repatriate or otherwise transfer funds
- it is committed to financial anti-secrecy rules and key standards of tax and banking openness
- its legal system is based closely on the English (and, thus, Australian) legal system
- it has excellent banking and investment facilities
- every insurer is required to appoint:
  - a resident 'general representative', a position generally filled by the insurance manager
  - an independent approved firm of auditors to report on the statutory financial statements
- there are no tax implications[3]

Guernsey regulatory environment

Guernsey is a British Crown dependency and has its own Parliament responsible for internal affairs however matters such as defence are the responsibility of the British Government. While it is not a member of the European Union, it has a special relationship with it, being treated as part of the European Community for the purposes of free trade in goods.

A key reason for selecting Guernsey as the captive domicile was the strength of its regulatory environment. Guernsey's current insurance laws, which came into effect on 5 November 2002, are:

- Insurance Business (Bailiwick of Guernsey) Law 2002
- Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law 2002

The 2002 laws incorporate improvements based on sixteen years' experience of the original 1986 law and ensure that Guernsey law is compliant with the Core Principles of the International Association of Insurance Supervisors. The 2002 insurance laws are supported by various Regulations, Codes and Rules produced by the Guernsey Financial Services Commission.

The laws create a broad regulatory framework for insurance business in Guernsey. They deal with general issues concerning the licensing of insurance companies, managers and intermediaries including establishing various restrictions on, and requirements of, licensees. They also make specific provision for winding up insurance companies and set out the powers of the Guernsey Financial Services Commission and procedures for representations and appeals in relation to the decisions of the Commission. The Commission has the power to issue such codes of practice which it considers necessary to provide guidance as to the duties, requirements and standards to be adopted and the procedures and best practices to be observed by persons carrying on insurance business. The key aspects of the laws include:

- solvency maintenance requirements
- documents and information to be filed with the annual insurance return
- provisions for 'whistle blowing' by auditors, actuaries, directors and others
- provision for meetings between the board, auditors and the Guernsey Financial Services Commission
- formalisation and expansion of the licensing requirements including:
  - expanded requirements for financial projections

[3] The tax position in Guernsey is that the captive pays corporation tax at a rate of 0%.

- explicitly stating the strategy for managing insurance risks
- explicitly stating the investment policy
- the appointment of officers responsibility to monitor compliance and to detect, monitor and report on money laundering activities

- the Corporate Governance Code, which includes:
  - a requirement for the board to ensure that management is competent
  - a minimum of one director independent of the company owners and managers
  - a requirement that the balance of board composition between the company owners and managers be considered at least annually
  - a requirement for strategic objectives of the company to be stated explicitly
  - a compulsory declaration of conflicts of interest
  - a policy of fair and arm's length dealing
  - a statement of directors' duties
  - board responsibility for internal control procedures and operational risk assessment, various annual reviews and reports to the board, as required
  - a requirement for directors' personal details lodged with the Commission to be kept up to date at all times. Among other requirements, a director must provide a detailed personal and business history for at least the past ten years. Corporate directors are not permitted to sit as director on a licensed insurer.

Licensed insurers are required to comply with the codes and rules and failure to do so is a contravention of a condition of the insurer's license. Contravention of a condition of a license is an offence.

What are the benefits of a captive?

A captive offers the following potential benefits:

- Reduction or stabilisation of the cost of insurance over a period of time
- Lower expenses because a captive has no marketing expenses, reasonable underwriting costs and low administration costs of around 1-5% (unlike a traditional insurer which charges a considerably higher rate merely to cover expenses)[4]
- Ability to negotiate lower premiums because of good claims experience. The premium paid to the captive reflects the claims experience of the City only and does not factor in the poor claims records of other companies or Councils
- Credit rewards for good claims experience compared with the traditional insurance market which often prices premiums according to broad industry classifications, based on the claims record of the industry, the implication being that a company with a good claims record is likely to be subsidising the premiums of those with poorer claims records
- Investment income which benefits the captive rather than an external insurer
- Increased cash flow
- Better performance by prompt payment of claims and by having more flexible premium payments
- Direct access to the reinsurance market which is a benefit because reinsurers work on lower expense ratios than direct insurers and often charge lower premiums
- Insuring risks which are either impossible to insure in the traditional insurance market or which demand unreasonably high premiums
- Being in partnership with the reinsurer allows the captive to utilise what is on offer in the global insurance market (and not merely having to avail itself of a 'package' negotiated by someone else), and tailor its insurance policies accordingly
- Increased awareness and understanding of risk management

[4] Captive industry experts suggest a traditional insurer may charge up to 25% of its premium cost for administration costs.

Following the establishment of the City's captive, a range of issues of particular significance were addressed including:

- A review of the City's overall insurance arrangements to ensure the best value
- A review of the City's brokerage arrangements
- A detailed review of particular insurance policy wordings
- The establishment of an incident reporting system and comprehensive claims management
- The review of the need for some of the insurance policies then held

Even from the early days of the City's captive, it achieved:

- Improved policy wording (thereby providing improved cover or clarity of cover)
- Improved management of claims costs
- Additional cover
- Improved cash flow and investment income
- Credit for the City's good claims experience

Types of insurance

Aside from Workers Compensation, the captive provides cover for the City's main insurance risks, and the City also has direct insurance in the external insurance market at a high level beyond that provided by the captive.

In general terms, therefore, the City has in place a mix of:

- Self-insurance or 'deductibles'

  The City pays the first $20,000 for each accepted claim or 'loss' across all categories of insurance. These claims are managed by the City's Legal Services branch.

- Captive and External Market Insurance

  The City insures a significant proportion of its risks with its captive insurer. Several minor policies were not transferred to the captive either because separate policies were required or because the premiums charged by the traditional market were negligible. These included cover for:

  - commercial business
  - buskers' liability
  - medical malpractice
  - excess workers' compensation insurance
  - a number of City owned residential properties
  - environmental impairment

  The City is currently in the third year of its fourth, three-year insurance contract via the captive which provides cover for:

  - Industrial Special Risks - physical loss, destruction or damage to property belonging to the City, including some assets such as buildings, stock, plant and machinery. Cover provides for the reinstatement or replacement of damaged property.
  - Public Liability, Products and Pollution - loss or damage to a person's property or to them personally, caused by the failure of a product or service. This also covers the City's motor fleet liability for claims not otherwise covered under its motor vehicle third party liability policy.

- Contract Works Material Damage and Contract Works Liability - loss or damage arising out of works including engineering works, works under construction, mechanical installation or erection, project materials stored on and off-site, hired and contractor's plant and equipment. It also includes cover for damage to property or personal injury to third parties arising from construction activities both on and off a work site. It does not cover situations where the risk is transferred to a contractor.
  - Motor Accidental Damage
  - Professional Indemnity - for claims of negligence or breach of duty arising from an act in the performance of professional services.[5]
  - Terrorism - mandatory in Australia.
- Reinsurance
  - Purchased by the captive every three years, the intent of reinsurance is to reduce the risk of loss to the captive in respect of the covers it underwrites. By purchasing reinsurance cover, the captive is protected against significant losses.
- Excess or 'catastrophic' insurance cover
  - Purchased by the City directly from the traditional insurance market.

Investment strategy
The captive has a formal investment strategy approved by the board. All banks are individually approved by the board and have a minimum Standard & Poor's credit rating of "A". The captive also invests with the Queensland Treasury Corporation Capital Guaranteed Cash Fund.

Today

Guernsey continues to be, by a considerable margin, Europe's leading captive insurance centre. It services Europe's needs and is the base for insurance subsidiaries from major companies worldwide, including from Australasia. The reasons for this is include:

- Guernsey has always positioned itself to meet the highest possible insurance regulatory standards. In an assessment by the International Monetary Fund, it received the highest score ever for any jurisdiction in the world, marked against the Core Principles of Insurance Supervision, issued by the International Association of Insurance Supervisors.
- Guernsey's standards have resulted in a highly trained and professional work force, working to the highest standards of corporate governance, which are laid down in legislation.
- Guernsey's proximity to the important London insurance market (less than an hour away) ensures a wealth of contacts which greatly assist in renewal negotiations.
- Guernsey was one of the few locations given the 'all clear' by world leaders at the G20 summit in 2009. The summit had resolved to establish a 'blacklist' of tax havens which did not agree to sign up to financial anti-secrecy rules and key standards of tax and banking openness and a 'grey' list for those who agreed, but had not implemented, the rules and standards.
- Guernsey's tax standards were endorsed in April 2013 by the Organisation for Economic Co-operation and Development's (OECD) Global Forum on Transparency and Exchange of Information for Tax Purposes. This followed a rigorous examination by expert assessors of Guernsey's legal and practical framework for the exchange of tax information internationally.
- Guernsey has demonstrated an ongoing commitment to exceeding and not merely meeting, international standards in tax transparency and is now recognised as meeting the highest global standards of international tax co-operation.

Cost savings to the City have resulted from having a Guernsey-based captive, including being able to deal with the wholesale reinsurance market and to demonstrate that risks, as far as possible, are being minimised, thus attracting better rates of reinsurance.

In 2010 a comprehensive review was undertaken of insurances held by the City and those on offer via alternative insurance models and the City's insurance program compared very favourably.

[5] Cover for Councillors and Officers Liability is separately insured.

Company business plan

The Business Plan sets out:

Strategic Objectives

These are to retain value for the City by reducing or eliminating insurance premiums paid to unrelated or third party insurers and to avoid or mitigate the disadvantages of the traditional insurance market, by:

- providing more stable premium rates in comparison to the unpredictable swings typical of the traditional market
- providing cover for risks where either cover is not available or is too highly priced in the traditional market
- providing access to the reinsurance market
- negotiating reduced premiums on the basis of successful claims management or history
- providing or facilitating non-traditional structured risk or financing solutions

Governance Policy

The Business Plan sets out the information and compliance framework as required by the Finance Sector Code of Corporate Governance and other insurance laws, regulations, rules and codes. It is supported by compliance checklists and policies, procedures and compliance manual etc.

The captive board's policy is that private transactions, self-dealing, preferential treatment of internal and external entities, and other trade practices of a non-arm's length nature, shall not be conducted by the captive.

Market Conduct

The captive does not issue policies or market its services to the public or deal directly with the public, nevertheless, it has adopted a complaints handling procedure as required by the Finance Sector Code of Corporate Governance.

Operational Risks and Internal Control Procedures

The captive maintains a Risk Assessment Plan which documents a number of potential risks and related control measures, including:

- underwriting and reserving (a normal trading risk)
- reinsurance (including the credit state of reinsurers)
- investment strategy and liquidity management
- adequacy of capital resources and margin of solvency
- oversight of company assets
- accounting procedures and management of information
- disaster and business continuity information and communication technology loss resulting from a failure of information communications technology systems

The risk register is maintained by a Risk and Audit Committee, and reviewed at each board meeting to ensure all significant risks are being adequately measured, monitored and controlled.

The captive board

The captive board comprises an independent chairman and two executive members utilising the professional expertise and experience of the insurance manager, all three of whom are based in Guernsey and independent of any other Gold Coast affiliation, along with Council's CEO and City Solicitor.

The board has controls and procedures in place to ensure the captive is prudently managed in accordance with relevant Guernsey laws and regulations. The board's composition is reviewed annually to ensure its members have the skill, knowledge, experience, commitment and independence to effectively oversee the captive's operations.

Members of the board

Chairman of the board

Diane Colton: On the retirement of Mr Steve Butterworth in June 2018, Diane Colton, who was initially appointed to the Board on 1 January 2018, was appointed to the position of Chairman.

Diane has worked in the insurance industry for 25 years. She worked for a UK life insurance company before moving to insurance regulation in Guernsey where she spent 15 years working up to the position of Director.

She had responsibility for all aspects of regulation of the insurance sector and co-ordinated the work required for international assessments of Guernsey's regulatory framework. Diane had an active role with the International Association of Insurance Supervisors being a member of the Technical Committee, Reinsurance Subcommittee and the Task Force for reviewing the Insurance Core Principles. She also chaired the Fraud Subcommittee, the Captive Paper Guidance Group and the Market Conduct Subcommittee.

She has conducted training seminars in the Lebanon and Kazakhstan on behalf of the Financial Stability Institute. She has also carried out work on behalf of the World Bank.

Diane is a Fellow of the Chartered Insurance Institute, a Chartered Insurance Practitioner and a Specialist Member of the Institute of Risk Management.

Other board members

Mr Kevin Rye started his insurance career in 1975. In 2003, he became a Director of Artex Risk Solutions (Guernsey) Limited ('Artex') and is responsible for the development and ongoing management of all captive business. He retains ultimate responsibility as Client Service Director to a number of Artex's major captive clients.

Mr Nick Heys has been in the insurance industry since 1977. He spent 10 years with the reinsurance broker Jardine Thompson Graham, latterly as a Divisional Director. He joined Polygon Insurance Management, the forerunner to Artex in 1997. Mr Heys was appointed as Managing Director of Artex Guernsey in 2008, and is currently CEO of Artex International.

Mr Dale Dickson PSM, CEO City of Gold Coast, was appointed CEO in 2003. He has a Bachelor of Business, a Graduate Diploma of Management and a Master of Public Policy and Management. His professional memberships have included:

- Local Government Managers Australia (LGMA) (Qld) Inc (Fellow)
- Society of Local Authority Chief Executives and Senior Managers (SOLACE) (United Kingdom)
- International City/County Management Association (ICMA)

He has received the following awards:

- LGMA (Old) Award for Leadership and Management Excellence 2006
- Governance Professional of the Year 2007 - Public Sector Chartered Secretaries of Australia
- Public Service Medal 2014

Mr David Montgomery, City Solicitor, was appointed as City Solicitor in 1996. The City Solicitor has a Bachelor of Jurisprudence and a Bachelor of Laws.

Except for the CEO and City Solicitor, all members of the board are based in Guernsey.

Managers, brokers and auditors

Managers

The captive's day to day operations are managed by Artex Risk Solutions (Guernsey) Limited which is part of the Arthur J Gallagher Group. Artex International is one of the largest captive management organisations in the world with representation in 20 domiciles and managing almost 1,000 captive customers from 15 locations.

Brokers

The captive's broker, Arthur J Gallagher (UK) Ltd, is part of one of the world's largest insurance brokerage and risk management services firms. It provides a full range of brokerage and alternative risk transfer services globally, including claims and information management, risk control consulting and appraisal services. It works in partnership with General Security Australia Insurance (GSA), an Australian broker, to canvass the relevant markets in both Europe and Australia for the most competitive insurance arrangements for the City.

Auditors

The captive's auditors are Ernst and Young LLP.

Performance review

The City's insurance arrangements will continue to be subject to regular review via External Auditors (including the Queensland Audit Office), the Council's Audit Committee, and Council's Governance, Administration and Finance Committee.

Performance is reviewed and reported on as follows: Annually:

- Independent Auditor's Report (in Guernsey)
- Financial Statements for the captive (presented to the Council's Audit Committee)
- Report to the Audit Committee and the Council's Governance, Administration and Finance (GAF) Committee of the past year's insurance results and the current financial year's insurance arrangements

Every three years:

- A report is presented to the Audit Committee and GAF Committee which compares the City's insurance model with alternative models and the original business case for the captive.

The annual and three year review reports which have been tabled to date have indicated that the City has benefited from its captive insurance model (and other insurance arrangements) compared to the alternatives. See earlier comments on this.

Risk management arrangements

The City has a strong focus on risk management via its Enterprise Risk Management Framework. The framework is managed by the City's Corporate Risk Branch and incorporates the following:

- Enterprise Risk Management Policy - outlines the City's mandate, commitment and responsibilities with risk management as an integral part of all activities. It supports the risk management process enabling risk-based decision-making.
- Enterprise Risk Management Manual - aligned to the international risk management standard.
- Risk Management Advisory Committee - assists in the management of risk to ensure corporate consistency of approach to risk management.
- Organisational Resilience Program - comprises business continuity and incident management plans to ensure resilience in the event of business disruptions. The resilience program forms part of the Annual Risk Calendar to ensure relevant staff are trained, exercised and tested to enable a state of readiness.

The City has (separate to its other insurance arrangements, including the captive) held a self-insurance license for the management of its Workers' Compensation claims since 1998. To be granted a self-insurance license under the Workers' Compensation and Rehabilitation Act 2003, the City had to meet, and to maintain, criteria including being fit and proper to be a self-insurer, satisfactory occupational health and safety performance, workplace accreditation by accreditation by the Workers' Compensation Regulator, and a mandatory requirement to have a workplace rehabilitation policy and procedures.

Self-insurance for workers' compensation claims has enabled the City to achieve very significant insurance savings when compared to insurance under the State Government's WorkCover Queensland scheme.

A few useful definitions

Captive
A captive is an insurance company which is a wholly owned insurance subsidiary of an organisation whose principal business is not insurance.

Deductible
This is the amount the insurer will deduct from a loss before paying up to the limit of the policy.

Domicile
The location where a captive insurer is licensed to do business.

Insurance pools
'Pooling' organisations form a group and pay premiums to a trust fund which are used to pay for their losses. The premium payable by each organisation is based on an assessment of individual loss exposures. Investment income is earned on the trust funds and any unused portions are distributed to members in the form of a dividend.

End