



CASE STUDY

How Risk Pooling Benefits Local Government in Australia

Risk pooling has become a transformative strategy for local government, enabling councils to manage exposure and insurance collaboratively. Stephen Golding, Manager of Governance and Risk at Lane Cove Council, is actively involved in CivicRisk Mutual's board and risk management teams.

Today, he shares his insights into the benefits of risk pooling and how it has positively impacted his council.

Reducing Exposure Through Collaboration

In 1988, insurance companies began receding from the local government sector, introducing significant challenges for councils. The withdrawal left councils challenged in seeking placement of insurance for certain protection.

In response, councils pooled their risk initiatives and related funding to address the insurance coverage gaps and achieve a workable form of protection. This is known as risk pooling and is a consolidated insurance strategy where multiple entities combine resources to spread and manage exposure collectively. With all members cooperating, each council is able to increase control and management over claims through shared mitigation experiences. This in turn allows for improved insurance portfolio management, which contributes to obtaining better long-term premiums.

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Negotiating Better Premiums

The shared network of councils creates an economy of scale, leading to enhanced insurance placement through collective risk and claim management. While councils may still face challenging insurance claim years, risk pooling enables better management of any significant premium fluctuations to maintain favourable terms from insurance companies.

Knowledge Sharing: Strength in Numbers

Collaboration and shared expertise are among the most valuable advantages of risk pooling. Local councils face similar exposure, meaning if one council suffers a loss, the entire network can learn from their experiences. Knowledge sharing helps everyone apply effective controls to minimise potential dangers.

Control and Transparency

CivicRisk Mutual offers members complete transparency across claims and premiums. This empowers councils to manage exposure more effectively and better understand their insurance portfolio. “Risk pooling gives you greater control over risk, insurance and claims management, and enhances your ability to secure coverage in the marketplace”, Stephen explains.

Addressing Hesitation and Resistance

Some councils may hesitate to join risk pools due to possible upfront costs or the ability to self-insure. However, the long-term quantitative and qualitative benefits make it a worthwhile investment. Small councils, in particular, may be too exposed to self-insure entirely.

Risk pooling is a strategic approach for self-insuring the lower layers of insurance coverage, indicating the Mutual's commitment and confidence in its risk and claims management practices. It provides a competitive advantage in the insurance market, potentially leading to better coverage and premium rates. Moreover, it fosters collective savings during favourable years, creating a financial reserve.

This method is not aimed at immediate benefits but is a long-term strategy for financial stability and risk management. When councils have a good year, everyone saves, creating a financial buffer. Risk pooling is not a short-term gain but a long-term strategy.

CivicRisk Mutual: A Culture of Support and Success

The financial and operational benefits of joining a pool like CivicRisk Mutual are substantial. Councils can share the advantages of a collaborative culture, which can contribute to long-term savings and shared commitment to enhancing risk management in the local government sector.

“Knowledge sharing is hard to buy. While you spend a lot for training, risk pooling offers real-life cases, shared experiences, and collaborative support”, Stephen notes.

CivicRisk Mutual's positive and nurturing culture fosters a sense of community and collective achievement, where everyone works together for improved risk management and lower risk exposure. If you want to join like-minded councils and discover the benefits of risk pooling, **contact us today** to learn more.



1300 837 493



info@civicriskmutual.com.au