



**statewide
mutual.**



**Strength.
Stability.
Integrity.**

Statewide Mutual.

Annual Report and financial statements
for the year ended 30 June 2015



We're Australia's largest local government self-insurance pool. Our financial strength and buying power, stable member contributions, and integrity continue delivering for members.

For over two decades we've existed solely for the benefit of NSW regional and metropolitan councils, collaborating and innovating to reduce their exposure to risk.



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Members.

All schemes as at 30 June 2015

Albury City	L M P CO Cr	Coonamble	L M P CO Cr
Armidale/Dumaresq	L M P CO Cr	Cootamundra	L M P CO Cr
Ashfield	L M P CO Cr	Corowa	L M P CO Cr
Ballina	L M P CO Cr	Cowra	L M P CO Cr
Balranald	L M P CO Cr	Deniliquin	L M P CO Cr
Bankstown City	L M P CO Cr	Dubbo City	L M P CO Cr
Bathurst Regional	L M P CO Cr	Dungog	L M P CO Cr
Bega Valley	L M P CO Cr	Eurobodalla	L M P CO Cr
Bellingen	L M P CO Cr	Far North Coast County	L M P CO Cr
Berrigan	L M P CO Cr	Forbes	L M P CO Cr
Bland	L M P CO Cr	Gilgandra	L M P Cr
Blayney	L M P CO Cr	Glen Innes Severn	L M P CO Cr
Bogan	L M P Cr	Gloucester	L M P CO Cr
Bombala	L M P CO Cr	Goldenfields (Water) County	L M P CO Cr
Boorowa	L M P CO Cr	Gosford City	L M P CO Cr
Bourke	L M P CO Cr	Goulburn Mulwaree	L M P CO Cr
Brewarrina	L M P CO Cr	Great Lakes	L M P CO Cr
Broken Hill City	L M P CO Cr	Greater Hume	L M P CO Cr
Byron	L M P CO Cr	Greater Taree City	L M P CO Cr
Cabonne	L M P CO Cr	Griffith City	L M P CO Cr
Campbelltown City	L M P CO Cr	Gundagai	L M P CO Cr
Canada Bay City	L M P CO Cr	Gunnedah	L M P CO Cr
Canterbury City	L M P CO Cr	Guyra	L M P CO Cr
Carrathool	L M P CO Cr	Gwydir	L M P CO Cr
Castlereagh Macquarie County	L M P CO Cr	Harden	L M P CO Cr
Central Darling	L M P CO Cr	Hawkesbury River County	L M P CO Cr
Central Murray County	L M P CO Cr	Hay	L M P CO Cr
Central Tablelands Water	L M P Cr	Hornsby	L M P CO Cr
Cessnock City	L M P CO Cr	Hurstville City	L M P CO Cr
Clarence Valley	L M P CO Cr	Inverell	L M P CO Cr
Cobar	L M P CO Cr	Jerilderie	L M P CO Cr
Cobar Water Board	L P Cr	Junee	L M P CO Cr
Coffs Harbour City	L M P CO Cr	Kempsey	L M P CO Cr
Conargo	L M P CO Cr	Kogarah	L M P CO Cr
Coolamon	L M P CO Cr	Ku-Ring-Gai	L M P CO Cr
Cooma Monaro	L M P CO Cr	Kyogle	L M P CO Cr

Lachlan	L M P CO Cr	Rous County	L M P CO Cr
Lake Macquarie City	L M P CO Cr	Ryde City	L M P CO Cr
Leeton	L M P CO Cr	Shoalhaven City	L M P CO Cr
Leichhardt	L M P CO Cr	Singleton	L M P CO Cr
Lismore City	L M P CO Cr	Snowy River	L M P CO Cr
Lithgow City	L M P CO Cr	Southern Slopes County	L M P CO Cr
Liverpool Plains	L M P CO Cr	Strathfield	L M P CO Cr
Lockhart	L M P CO Cr	Sutherland	L M P CO Cr
Maitland City	L M P CO Cr	Tamworth Regional	L M P CO Cr
Manly	L M P CO Cr	Temora	L M P CO Cr
Mid Coast (Water) County	L M P CO	Tenterfield	L M P CO Cr
Mid Western Regional	L M P CO Cr	Tumbarumba	L M P CO Cr
Moree Plains	L M P CO Cr	Tumut	L M P CO Cr
Mosman	L M P CO Cr	Tweed	L M P CO Cr
Murray	L M P CO Cr	Upper Hunter County	L M CO Cr
Murrumbidgee	L M P CO Cr	Upper Hunter Shire	L M P CO Cr
Muswellbrook	L M P CO Cr	Upper Lachlan	L M P CO Cr
Nambucca	L M P CO Cr	Upper Macquarie County	L M P CO Cr
Narrabri	L M P CO Cr	Uralla	L M P CO Cr
Narrandera	L M P CO Cr	Urana	L M P CO Cr
Narromine	L M P CO Cr	Wagga Wagga City	L M P CO Cr
New England Tablelands	L M P CO	Wakool	L M P CO Cr
Newcastle City	L M P CO Cr	Walcha	L M P CO Cr
Norfolk Island	L M P CO Cr	Walgett	L M P CO Cr
North Sydney	L M P CO Cr	Warren	L M P CO Cr
Oberon	L M P CO Cr	Warringah	L M P CO Cr
Orange City	L M P CO Cr	Warrumbungle	L M P CO Cr
Palerang	L M P CO Cr	Weddin	L M P CO Cr
Parkes	L M P CO Cr	Wellington	L M P CO Cr
Pittwater	L M P CO Cr	Wentworth	L M P CO Cr
Port Macquarie Hastings	L M P CO Cr	Willoughby City	L M P CO Cr
Port Stephens	L M P CO Cr	Wingecarribee	L M P CO Cr
Queanbeyan City	L M P CO Cr	Wollondilly	L M P CO Cr
Randwick City	L M P CO Cr	Woollahra	L M P CO Cr
Richmond River County	L M P CO Cr	Wyong	L M P CO Cr
Richmond Valley	L M P CO Cr	Yass Valley	L M P CO Cr
Riverina (Water) County	L M P CO Cr	Young	L M P CO Cr

Chairman's welcome.

I'm proud to report on the results and achievements of Statewide Mutual for the twelve months ending 30 June 2015.

This annual report details the financials of the mutual and outlines key operational outcomes for the period. It features commentary from Brian Bell, currently chairing the Claims & Risk Management and Marketing Committees, as well as Executive Officer, Naamon Eurell.

Inside you'll also find an informative summary of our industry leading risk management program, and an overview of the history behind our strength, stability, and integrity.

Membership commitment

Statewide Mutual's success over the 2014/15 financial year was due in large part to the strength of our membership base. Enduring commitment throughout renewals meant all 146 members remain with us today. I'd like to thank each council for their dedication to the mutual, as well as their fellow members.

Membership across the schemes at 30 June 2015:

- Liability Scheme - 146
- Property Mutual Scheme - 145
- Crime (Fidelity Guarantee) Scheme - 144
- Motor Vehicle Cover - 145
- Councillors' and Officers' Cover - 140

A full list of members and schemes in which they participate is on the previous pages.

Liability Scheme

The Liability Scheme reported a surplus of \$4,578,618 for the financial year, which gave an accumulated surplus of \$25,884,845 at 30 June 2015.

Risk Management Incentive Bonuses were allocated to members in November 2015, totalling \$2 million for the period. These were the result of member participation in risk management initiatives that led to sound claims outcomes, contributing to the exceptional surplus for the financial year. \$32,420,901 in such bonuses have been distributed to members over the past ten years.

The strong financial position meant the board could maintain relatively stable member contributions for the period, increasing by just 2.3%. This amounts to a mere 6% change over the past seven years.

Property Mutual Scheme

The Property Mutual Scheme had accumulated surpluses of \$14,294,587, after reporting a surplus of \$3,771,615. As with the Liability Scheme, these surplus funds belong to members. They received a distribution totalling \$2 million based on claims outcomes for the financial year. These Property Claims Experience Discount distributions total \$32,524,449 to date.

Member contributions have remained unchanged since 2009, and in many instances been reduced. Increases are subject only to variations in the total value of assets declared by individual member councils.

Crime (Fidelity Guarantee) Scheme

The accumulated surplus of the Crime (Fidelity Guarantee) Scheme – renamed as such in September 2015 – totalled \$1,569,617 at 30 June 2015. It's noted renewal terms on this scheme have remained unchanged since June 2006, except where variations have occurred in the amount of surplus refunded each year. The scheme has now been re-rated; meaning the actual cost to member councils has been reduced.

2015 surplus distributions

Adding to the \$7.6 million surplus distribution to members in October 2014 from the 2013/14 financial year, I'm delighted an additional \$4.85 million was recently distributed off the back of positive 2014/15 outcomes.

To date, members have received over \$65 million in rebates, with all members having received a cheque since 1998. The buying power of our large member base, our expertise in the insurance market, sound risk management practices, and superior claims handling have all contributed to this impressive result.

Preparing for the future

The board undertook significant planning towards tackling future challenges over the financial year, including upcoming local government reform.

We're continuing to investigate strategic direction changes to prepare ourselves for the anticipated impact of the 'Fit for the Future' reform package, associated joint organisations, and council



amalgamations. Our key objectives are to assist councils who are transitioning while providing a 'business as usual' level of cover, service, and integrity. Aligned with our preferred communication style, I assure members a consultative and collaborative approach to change will be adopted.

Board of management

Statewide Mutual is owned by members, governed by the Board of Management (and sub-committees), and managed by Jardine Lloyd Thompson (JLT).

I'd like to acknowledge the efforts the Board of Management who relentlessly perform in the best interest of members. It's been a challenging year, yet they've excelled in maintaining Statewide Mutual's strong financial position.

We welcomed Scott Phillips, General Manager at Sutherland Shire Council (formerly of Hornsby Shire Council), to the board in December 2014. Scott is also on the mutual's Claims & Risk Management and Marketing committees.

I'd also acknowledge the efforts of Kyme Lavelle who left the board after the 2014/15 term – his second tenure. He's been replaced by Gary Murphy, General Manager of Lismore City Council. We look forward to working with Gary and utilising his expertise.

Committees

The board's *Claims & Risk Management committee* is currently chaired by Brian Bell, General Manager at Lake Macquarie City Council. The committee made some big decisions about administering and processing complex claims throughout the financial year and advised on the esteemed risk management program. Their efforts greatly benefited members and the local government sector alike.

The *Finance committee* continued to be chaired by Ross McCreanor, Director Corporate Services at North Sydney Council. Among its many successes, the committee played a vital role in determining member contributions, rebates, and increases in accordance to budgets presented on each scheme.

Our *Marketing committee* had a full remit over the period, with integrated marketing communications activity in full force following the 2014 launch of the new brand. Also currently chaired by Brian Bell, the responsibility fell on the committee to assess and approve all marketing communications activities proposed by strategic marketing agency, Cuckoo Creative, as part of the marketing strategy calendar.

JLT

JLT continued to provide expert advice to the board throughout the financial year on reinsurance arrangements and worldwide trends in local government insurance. The diligent work of Leo Demer and Stephen Penfold, who both participate on the board and undertake the reinsurance placement in London, is acknowledged. As too is Ron Barnes' efforts in the risk management sphere.

Thank you also to Naamon Eurell, Executive Officer, for his meticulous work across the many facets of the mutual. His experience in local government is second to none, offering advice to members on an impressive range of subject matter.

I anticipate an exciting 2016 full of big changes in local government; no doubt bringing a host of new challenges. I look forward to working with members to confront these head-on and continue delivering great outcomes for Statewide Mutual and NSW local government as a whole.

Bill Warne
Chairman of the Board of Management



FLOODWAY

Executive Officer's report.

What a great twelve months it's been for Statewide Mutual. It's encouraging to see members continue to derive real value from the mutual, as attested to by all 146 councils choosing to remain with us throughout renewals.

Members supporting members

From the most remote to the largest metropolitan council, I'd like to thank each and every member for their commitment. If we take a step back and look at what we've created and how we've supported one another over the financial year, it's truly a great achievement. Together we proudly remain the largest local government self-insurance pool in Australia, whose members' business is increasingly sought by competitors.

Ongoing stability, financial strength, and buying power are at the mutual's core. Our superior claims management is dedicated to meeting membership needs. The focus on risk management continues to minimise claims costs and ultimately sustain low member contributions in all market cycles and judicial climates.

We flourish and remain viable due to members retaining a shared vision of confidence, interest, and loyalty.

Underpinning our offering is an enviable level of integrity and transparency, evidenced by the member-elected and member-represented board of management. In the absence of shareholders, the board go to great lengths to ensure Statewide Mutual acts solely in the best interests of members.

Acknowledgements

I'd also like to acknowledge the contribution of the board for their guidance over the past twelve months. Their determination to ensure our offering meets members' needs makes my job that much simpler.

Nobody exemplifies this fortitude more than chairman Bill Warne. His passion for the mutual is unrivalled and a driving force behind our ongoing success. I also acknowledge Brian Bell for his work as chair of the Claims and Risk Management committee, and his resolve to ensure that good risk management remains at the heart of our unique offering. Also Ross McCreanor as chair of the Finance committee; the results contained within are a testament to his prudent financial management.

2014/15 key happenings

We rolled out a cyber insurance extension to the Crime (Fidelity Guarantee) Scheme over the year, with an overwhelming 85% member take-up. Our sheer size allowed councils to obtain cover for this emerging risk at rates substantially below those available to single entities in the market.

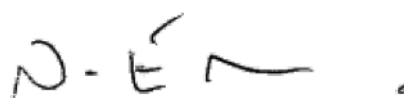
Actuaries reported increasing claims pressure on the Liability Scheme and the April 2015 floods caused significant losses to the Property Scheme. However the mutual's unquestionable resilience ensured capital reserves remained substantial.

This will again mean member contributions remain stable, and the opportunity to participate in the rebate program continues. It demonstrates the capacity of the mutual to absorb adverse events and still deliver on its core promises of cost containment, stable premiums, and spread of risk.

Local Government reforms

The next 12 months will be challenging for NSW local government with the advent of Fit for the Future reforms, aimed at improving council performance, creating efficiencies, and strengthening communities. We remain confident that our model will continue to work in all environments, with none of the underlying tenets of risk and insurance changing.

It'll be business as usual for members and the mutual alike. We'll remain the most fit-for-purpose solution for local government – regardless of reform outcomes.



Naamon Eurell
Executive Officer

Our risk management focus.

Long ago, the Board of Management realised something special. They recognised if local government were empowered to manage their own risk through making better decisions, sustainable benefits would follow.

The incidence of claims and associated costs would drop. Member contributions would stabilise. And importantly, communities would become safer places to live, work, and visit.

The board also understood risk management shouldn't be an independent, discrete system within Council's operations; rather it needed to be interwoven as an integral part of their management system.

Today our acclaimed risk management program has been adopted by all members. We're continually collaborating to develop and refine council risk management policies, binding these to strategic plans and corporate objectives at every opportunity.

From a practical point of view, we're working with members to help identify risks, analyse potential consequences, and establish adequate controls and measures.

Framework for operational risk management

Our risk management program is conducted under a robust framework of four essential strategies: member support, risk management tools, education, and special projects.

Initiatives under each strategy are developed from member feedback, aimed at assisting them at every stage of their risk management journey. The diversity of initiatives means members can choose a combination to suit their organisational priorities and distinct needs. Some of the highlights include:

Member support

Extensive support initiatives aimed at developing the risk management function within each council. These involve:

- **Regional Risk Manager network**
Seven dedicated Regional Risk Managers work with members to identify and assess risks while developing tailored risk management solutions.
- **Guidance Materials**
Over 50 guidance documents to help members satisfy their duty of care. Topics include best practice risk management for roads and footpaths, event management, recreational

signage, and a decision making framework for climate related risks.

- **Member centre**
This members-only portal is an invaluable online resource centre providing readily accessible risk management tools and resources.
- **Continuous Improvement Pathway (CIP)**
Framework members use to assess progress in developing an effective risk management system. Central to the CIP is a commitment to a dynamic Risk Management Action Plan that reflects organisational priorities – the absolute delivery and driver of the entire system.
- **Annual Risk Management Conference**
Each themed conference improves on the last, with topical presentations delivered by leading experts. It was a record turnout this year. For the first time, presentation webcasts were made available to members who couldn't attend.
- **Regional Risk Management Group meetings**
These forums promote group discussion of local risk issues while facilitating information sharing and networking opportunities.

Risk management tools

Tools furthering the quality of member's risk management activities. Examples include:

- **JRS Profiler**
This online risk management software system helps identify, assess, and manage the wide range of potential risks to Council's operations. The software is available to members free of charge.
- **CIMS**
Secure online database that allows contractors to register their business and insurance information when working with members. They can also register employee details and access a wide range of e-learning training courses.

Education

Education, coaching, and mentoring programs to assist council employees fully engage with local government risk management functions, such as:

- **Coaching and mentoring**
Tailored education, coaching, and mentoring programs are provided to members and regional groups by our Regional Risk Manager team. Some of the most popular offerings include risk

management awareness training for new staff members, event management workshops, and incident investigation.

- **CIMS contractor e-learning module**
An Introduction to Local Government training package for contractors working in local government. This module provides contractors with a basic knowledge of WHS legislative requirements, the principles of risk management, and how to prevent injury and illness in the workplace. Contractors can allocate additional online training to their staff.
- **Fundamentals to risk management for local government**
E-learning module that provides staff with an understanding of what constitutes good risk management. They learn the basic steps of the risk assessment process, and how to identify, report, and record risks and hazards. Councils can also allocate additional online training to their staff.
- **Affiliated FM training portal**
Members have access to our Property Mutual underwriter's extensive online training courses and resource library.

Special projects

Special projects advancing the industry's understanding of risks and associated responses. A couple of examples:

- **Integrity Management for Local Government program**
Delivered in cooperation with the Australian Institute of Company Directors, this interactive training program is for senior management and elected officials. It helps identify systems and behaviours that expose organisations to risks that may harm their reputation, and expose senior managers and councillors to liability.
- **Business Continuity Management program**
Provides members with an opportunity to test their business continuity systems and identify the steps to recover from a business disruption event. Councils participate in scenario-based interruption exercises. They're provided with a measurable response to their preparedness, followed by a gap analysis assessment, and an action plan for improvement.

Value-adding initiatives

But it doesn't stop there. Our appetite for innovation means we deliver many other initiatives.

Each year we celebrate and recognise members who implement superior risk management programs through the Risk Management Excellence Awards. The awards exist to promote:

- recognition of risk management as a management structure;
- awareness of risk management issues;
- innovation in risk reduction; and
- recognition of that innovation.

Judged by the Claims and Risk Management committee members, the quality of award submissions are consistently outstanding. They illustrate how the overall program is driving home vital principles of risk identification, evaluation, control, and measurement.

The strength of our partnerships is also indicative of how serious we take risk management excellence. Our relationship with Affiliated FM has led to the Client Risk Management Scholarship available to Statewide Mutual members.

The scholarship offers recipients hands-on loss prevention training at parent company FM Global's training facility in Boston, USA. This unique environment facilitates knowledge and critical-thinking skills to identify and manage risk through experiencing real-world scenarios. Instructor-led training is delivered by some of the most talented and respected engineers in the world.

What's really in it for members?

Individual councils, and the mutual's membership as a whole benefit from collaborative programs which limit their exposure to risk.

Empowering councils to protect themselves serves communities by creating increasingly safer environments for ratepayers to go about their business. At the same time, it limits incidence of claims and inherent costs, reducing and stabilising premiums to predictable cost levels that aid in planning.

Members also receive financial rewards for engaging in best-practice risk management activities. Risk Management Incentive Bonuses are paid for meeting self-prescribed objectives of their Risk Management Action Plans.

What's all this really mean for members? Ultimately more prosperous and cohesive communities relishing in sustainable growth, increased competitiveness, and on-going economic development.



Board and committees.

Representatives for financial year ending 30 June 2015

	Representative	Council
Board of Management	Bill Warne (Chairman)	Queanbeyan City Council
	Brian Bell	Lake Macquarie City Council
	Roger Bailey	Lithgow City Council
	Daryl Hagger	Kempsey Shire Council
	Kyme Lavelle	Rous Water
	Guy McAnally-Elwin	Gilgandra Shire Council
	Melissa McCoy	Shoalhaven City Council
	Ross McCreanor	North Sydney Council
	Jack O'Hara	Walcha Council
	Scott Phillips	Sutherland Shire Council
	Craig Richardson	City of Wagga Wagga

	Representative	Council
Finance committee	Ross McCreanor (Chair)	North Sydney Council
	Brian Bell	Lake Macquarie City Council
	Roger Bailey	Lithgow City Council
	Leo Demer	Jardine Lloyd Thompson
	Guy McAnally-Elwin	Gilgandra Shire Council
	Jack O'Hara	Walcha Council

	Representative	Council
Claims and Risk Management committee	Brian Bell (Chair)	Lake Macquarie City Council
	Kyme Lavelle (ex-Chair)	Rous Water
	Bill Warne (ex-Chair)	Queanbeyan City Council
	Ron Barnes	Echelon Australia
	Daryl Hagger	Kempsey Shire Council
	Melissa McCoy	Shoalhaven City Council
	Stephen Penfold	Jardine Lloyd Thompson
	Scott Phillips	Sutherland Shire Council
	Craig Richardson	City of Wagga Wagga

	Representative	Council
Marketing committee	Brian Bell (Chair)	Lake Macquarie City Council
	Bill Warne (ex-Chair)	Queanbeyan City Council
	Scott Phillips	Sutherland Shire Council

Claims and Risk Management committee report.

It was a challenging yet rewarding year for the Claims and Risk Management committee. There was considerable turnover in committee membership, significant outcomes from the high-performing Regional Risk Manager network, all while forging ahead with a range of innovative risk management related initiatives.

From the outset, I'd like to thank Bill Warne, Executive Manager - Legal and Risk at Queanbeyan City Council, and Kyme Lavelle, General Manager at Rous County, Richmond River County, and Far North Coast County Councils, for their efforts in leading the committee at various stages during the financial year.

Bill remains focused on his role as chairman of the Statewide Mutual board. Kyme has moved on to concentrate on his leadership of his three water counties. I wish him all the best for the future.

I accepted the role as chair of the committee in November 2015.

Acknowledgments

The committee also acknowledge Gareth Edwards and the teams of brilliant account managers and claims officers. Their specialised knowledge of local government, commitment to empathetically servicing members, and efficient claims processing practices all combine to bring members the most comprehensive risk solution available.

Michael Down and his team at Mills Oakley Lawyers again provided invaluable support and guidance to the committee throughout the year.

Regional Risk Manager network

Our Regional Risk Managers' efforts in working with members to identify, assess, and control risks – while assisting them to develop risk management strategies – continued to reduce incidence of claims over the financial year.

The committee approved a new Senior Regional Risk Manager position, with Melissa Tooke stepping up to the role. She brings with her an enviable amount of knowledge, having been the Regional Risk Manager for the South Eastern region for many years.

Over the past year the team have been heavily involved in helping members apply learnings to the workplace from the Integrity Management for Local Government course; an interactive training program promoting better governance practices across local government and a clearer understanding of senior leader roles and responsibilities. Participants learn to identify key factors contributing to damaging workplace cultures and develop skills to implement an effective integrity management system framework.

Regional Risk Managers continue to work closely with senior management to implement the framework, often by way of developing Integrity Management Plans as part of member's Risk Management Action Plans. It's a great initiative to limit integrity breaches and Councillors' and Officers' claims, and signals our adoption of a proactive stance to uphold integrity.

Additional initiatives

Submissions for the 2015 Risk Management Excellence Awards were lodged leading up to June 30, 2015. The awards were presented at the Annual Risk Management Conference hosted in Sydney's CBD late August 2015.

Eight quality submissions were received from NSW councils, with Lake Macquarie City Council (LMCC) winning on the day. Managing Shark Sightings covers LMCC's process of developing and implementing risk management procedures used by the Beach Lifeguard Team in addressing risks posed by shark attacks within patrol areas of a dynamic coastal environment.

The committee also instigated re-packaging of the risk management resource library. Best practice manuals, guidance notes, and training modules are being transposed into a common template and rebranded to come under the heading of 'Statewide Mutual Guidance Materials'. The aim here is to streamline additional document creation and simplify library accessibility for members.

The committee were involved in many other initiatives during the year, most of which are outlined in the 'Our risk management focus' section on pages 10 and 11.

I look forward to working further with my fellow committee members throughout 2016 on all claims and risk management matters. I'm confident we'll continue to drive optimal claims outcomes for members, while leading the industry in providing innovative risk management initiatives for less.



Brian Bell
Claims and Risk Management committee

Marketing committee report.

2014/15 was the committee's first full financial year overseeing a coordinated marketing strategy. Objectives centred on enhancing Statewide Mutual's image, ramping up communications activity, and attracting new member interest. With the brand now fully launched in the market, Bill Warne, Scott Phillips, and I had a full remit to drive this strategy and allocate resources to best deliver value for members' marketing dollars.

Bill took over as chair of the committee from Nick Tobin, ex-General Manager at Willoughby City Council, at the start of the financial year. He continued in this role until I took the reins during November 2014.

Scott Phillips, General Manager at Sutherland Shire Council, came on board during December 2014.

Acknowledgments

I'd like to acknowledge Naamon Eurell, Executive Officer, for his commitment in guiding the day-to-day marketing programs through assessing, advising, and approving all activity. Naamon's considered input and specialist local government knowledge contributed to some great results.

Cuckoo Creative, a strategic marketing agency and our principal supplier of marketing services, was instrumental in devising innovative, integrated campaigns across strategic pillars, including:

- communications, including online activity;
- events and sponsorship; and
- advertising.

Examples of such activity are summarised below.

Communications

The mutual's popular e-newsletter, Statewide News, went from strength to strength. Three editions were distributed over the period. Topical stories, local government happenings, and industry news were in abundance, as were the in-demand claims case notes.

Readership hovered around 46%. This was a great result when compared to the industry average of 10-15% while also considering the subscription database grew from 609 email addresses in May 2014 to now close to 2,000.

Sharp looking marketing collateral – a brochure and flyer – were released during October 2014. These brought the brand to life and clearly articulated the mutual's offering. Both have been broadly distributed since.

Addressing claims made by a large commercial market competitor was a common theme featured in a number of letters and emails. Members were reassured their insurance arrangements were looked after by a mutual with their best interests at

heart, not a company aiming to generate profits for underwriters. We received a lot of positive feedback as a result.

Early 2015 saw the launch of the new and improved website. After listening to members and developing the kind of website they asked for, I feel it really hit the mark. The Member Centre was re-launched around the same time. This members-only portal has had an impressive uptake and is proving to be a first-rate source of tools and resources.

Events and sponsorship

Part of the marketing strategy is to ensure members get more out of Statewide Mutual events. Cuckoo Creative applied their vast experience to add value to the last Annual Risk Management Conference. This involved streamlining logistics, producing impressive conference programmes and materials, and developing presentations and speeches.

They also managed our sponsorship presence the 2015 LGNSW Annual Conference. We continued our philosophy of looking after members by offering a range of 'member-only' experiences at the event; back rubs, shoe shines, and health checks were the order of the day. The relaxed environment allowed us to re-connect with metropolitan and regional members, and meet lots of new faces.

Advertising

The committee approved and supported the placement of advertising in industry publications; a marketing tactic which hadn't been used by Statewide Mutual in the past.

Targeted messaging was featured in LG Manager and ALGA News. This created greater awareness of the brand while re-enforcing the mutual's strength, stability, and integrity.

Initiatives for 2016 and beyond

The committee is currently reviewing strategic marketing plans for projects planned over the next 18 months. We're confident of realising more great results in having our message heard far and wide. We'll undoubtedly meet the communication challenges posed by the changing NSW local government environment.



Brian Bell
Marketing Committee

Strength. Stability. Integrity.

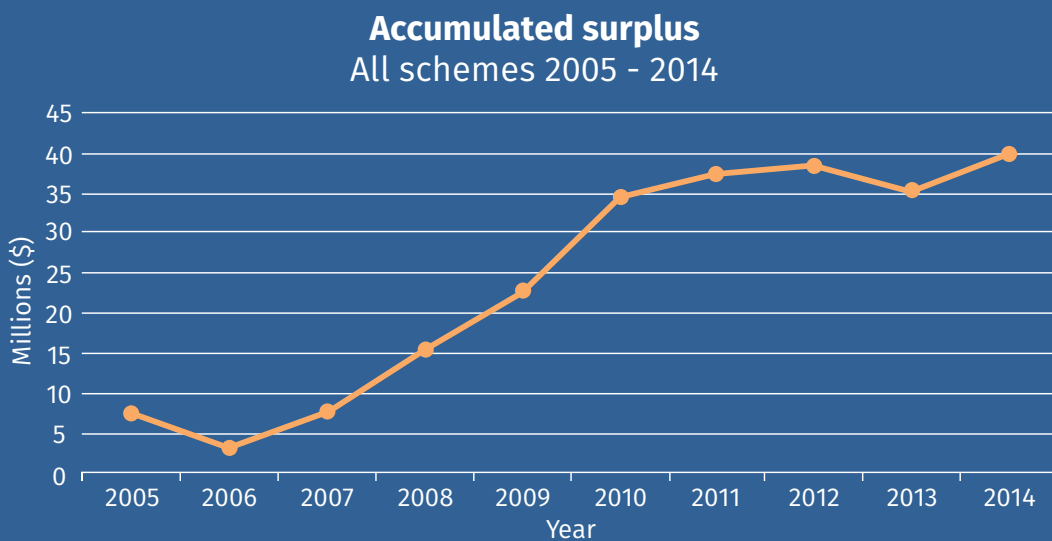
For many years, Statewide Mutual has been the choice of insurance provider for NSW local government. We remain the largest self-insurance pool of its type in Australia, currently having almost nine out of every ten councils as members.

The board of management, sub-committees, and scheme managers have a long history of providing superior strength, stability, and integrity as part of the mutual's offering. Members benefit from unparalleled financial strength and buying power, stable member contributions, and operational transparency.

And if the below results are anything to go by, they can look forward to many more years of the same.

Strength *Bigger is better*

Accumulated surpluses across all schemes reached \$39.8 million in 204/15 – an increase of over \$32.5 million in funds owned by members since 2005. The board determines how these funds are used, including as generous redistributions to members and for ensuring financial viability by maintaining an appropriate solvency margin.



The strength of the mutual is also demonstrated through our substantial buying power. We're large enough to negotiate market-leading, long-term reinsurance treaties with underwriters.

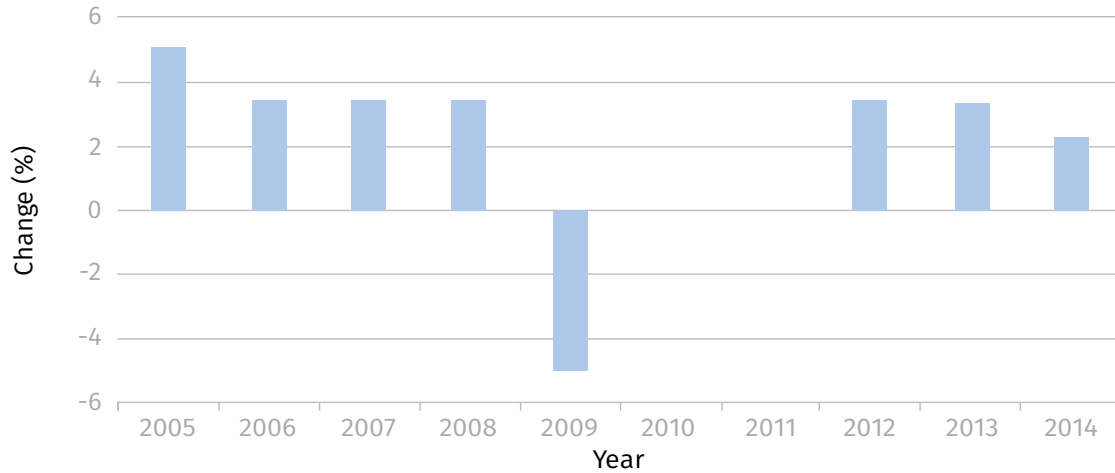
Members benefit from reduced costs through spreading the risk of exposure. While a catastrophic multi-million dollar loss may have a significant effect on smaller providers, its impact would be absorbed when spread among our much larger membership base.

And we're not in it alone. Our liability cover is secured as part of a National Local Government placement covering over 500 councils. The strength of our combined size directly reduces member risk even more.

Stability Predictable member contributions

Member contribution increases over the past ten years have been minimal. Using the Liability Scheme as an indicator below, contributions have risen by just 4.2% over the past six years. In fact, 2009 saw a drop of 5%, followed by two years of no increases what so ever. The 2014/15 increase was only 2.4%.

Member contribution increases Liability scheme 2005 - 2014



Member contributions have remained unchanged since 2009 for the Property Scheme, and in many years been reduced. Increases are subject only to variations in the total value of assets declared by individual member councils.

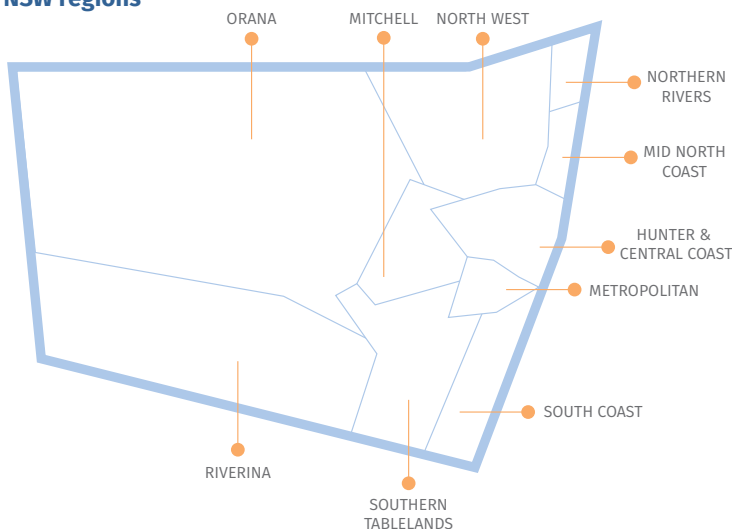
For the Crime (Fidelity Guarantee) Scheme, contributions remained unchanged since June 2006, except where variations have occurred in the amount of surplus refunded each year. The scheme has also now been re-rated, so the actual cost to members has been reduced.

Our sheer size, effectiveness of the reinsurance, and our innovative risk management and claims strategies help stabilise this cost; allowing councils to budget in an environment where income is always constrained.

Integrity Operating with transparency

Operating with integrity is important to the mutual and members alike. We achieve this in many ways, including mandating that each board member hails from one of ten NSW local government regions (two from the Metropolitan region).

NSW regions



- Bill Warne: Southern Tablelands
- Craig Richardson: Riverina
- Roger Bailey: Mitchell
- Brian Bell: Hunter and Central Coast
- Guy McAnally-Elwin: Orana
- Jack O'Hara: North West
- Gary Murphy: Northern Rivers
- Ross McCreanor: Metropolitan
- Melissa McCoy: South Coast
- Daryl Hagger: Mid North Coast
- Scott Philips: Metropolitan

We feel it's vital members have a local representative to stay in touch with their needs and advocate for key issues unique to particular regions.

We pride ourselves on further promoting integrity by operating with complete transparency, with members kept informed of all governance activity.

Their need for a trustworthy risk partner is at the forefront of everything we do.

Statements of Financial Position.

AS AT 30TH JUNE 2015

	Fidelity Guarantee Fund 2015	Fidelity Guarantee Fund 2014	Liability Fund 2015	Liability Fund 2014	Property Fund 2015	Property Fund 2014	Councillors and Officers Fund 2015	Councillors and Officers Fund 2014	Motor Vehicle Fund 2015	Motor Vehicle Fund 2014
CURRENT ASSETS										
Cash Assets (Note 3)	250,460	276,247	2,814,943	3,939,073	2,047,618	887,533	47,946	-	-	-
Receivables (Note 4)	32,213	34,090	4,925,970	4,837,596	1,730,357	2,189,201	-	-	134,781	-
Reinsurance Recoveries (Note 4)	5,000	200,000	35,102,535	30,328,219	5,042,259	1,494,536	-	-	-	-
Non Reinsurance Recoveries (Note 4)	-	-	507,441	507,441	-	-	-	-	-	-
Provision for Doubtful Debts (Notes 4 & 8)	-	-	(507,441)	(507,441)	-	-	-	-	-	-
Investments (Note 3)	1,540,000	1,502,000	19,337,000	22,504,000	29,105,000	24,966,000	-	-	-	-
	1,827,673	2,012,336	62,180,449	61,608,889	37,925,234	29,537,270	47,946	-	134,781	-
NON-CURRENT ASSETS										
Reinsurance Recoveries (Note 4)	-	-	98,204,730	83,881,781	-	-	-	-	-	-
Provision for Doubtful Debts (Notes 4 & 8)	-	-	-	(400,000)	-	-	-	-	-	-
	-	-	98,204,730	83,481,781	-	-	-	-	-	-
TOTAL ASSETS	1,827,673	2,012,336	160,385,179	145,090,670	37,925,234	29,537,270	47,946	-	134,781	-
CURRENT LIABILITIES										
Creditors and Accrued Expenses ⁽¹⁾	5,859	4,600	1,149,571	1,192,098	3,869,109	3,308,015	-	-	7,083	-
Contributions Received in Advance	10,972	7,561	(190)	2,118,170	259,351	-	47,950	-	127,698	-
Outstanding Claims (Note 7)	37,642	320,727	25,054,098	22,842,000	19,502,187	13,706,283	-	-	-	-
Accrued Surplus Distributions	203,582	203,582	-	-	-	-	-	-	-	-
	258,055	536,470	26,203,479	26,152,268	23,630,647	17,014,298	47,950	-	134,781	-
NON-CURRENT LIABILITIES										
Outstanding Claims (Note 7)	-	-	108,296,855	93,118,000	-	-	-	-	-	-
TOTAL LIABILITIES	258,055	536,470	134,500,334	119,270,268	23,630,647	17,014,298	47,950	-	134,781	-
NET ASSETS /(LIABILITIES)	1,569,617	1,475,867	25,884,845	25,820,402	14,294,587	12,522,972	(4)	-	0	-
MEMBERS EQUITY										
ACCUMULATED SURPLUS/(DEFICIT)	1,569,617	1,475,867	25,884,845	25,820,402	14,294,587	12,522,972	(4)	-	0	-

⁽¹⁾ The comparative numbers for 2014 have been updated to correctly reflect the GST treatment for the Receivables and Creditors and Accrued Expenses.

The accompanying notes form an integral part of these Financial Statements.

Statements of Financial Performance.

FOR THE YEAR ENDED 30TH JUNE 2015

	Fidelity Guarantee Fund 2015	Fidelity Guarantee Fund 2014	Liability Fund 2015	Liability Fund 2014	Property Fund 2015	Property Fund 2014	Councillors and Officers Fund 2015	Councillors and Officers Fund 2014	Motor Vehicle Fund 2015	Motor Vehicle Fund 2014
Member Contributions	483,962	449,559	42,550,021	42,859,960	34,932,244	34,862,502	5,230,003	4,928,287	14,346,876	13,599,813
Outward Reinsurance Expense	(350,000)	(319,000)	(33,592,117)	(35,072,117)	(16,446,592)	(16,786,380)	(5,230,003)	(4,928,287)	(14,346,876)	(13,599,813)
Reinsurance Profit Share	0	0	1,896,008	1,611,673	0	0	0	0	0	0
Claims Expense (Note 5)	(7,983)	(72,135)	1,932,034	2,854,673	(8,154,204)	(7,640,264)	0	0	0	0
Other Scheme Expenses (Note 6)	(90,000)	(82,800)	(6,841,345)	(6,686,409)	(5,778,440)	(5,839,112)	0	0	0	0
Excess of contributions and reinsurance profit share over claims and related expenses	35,979	(24,376)	5,944,601	5,567,780	4,553,008	4,596,746	0	0	0	0
Investment Income	61,309	69,392	967,367	1,207,608	1,173,455	1,137,840	0	0	0	0
Decrease/(Increase) in Bad/Doubtful Debts	0	0	0	0	0	0	0	0	0	0
General Expenses	(3,538)	(3,360)	(2,333,351)	(2,352,645)	(1,954,848)	(1,641,190)	(4)	0	0	0
Surplus from Ordinary Activities	93,750	41,656	4,578,618	4,422,743	3,771,615	4,093,396	(4)	0	0	0
ACCUMULATED SURPLUS										
Accumulated Surplus at the beginning of the year	1,475,867	1,434,211	25,820,402	23,397,659	12,522,972	10,429,576	0	0	0	0
Operating Surplus from Ordinary Activities	93,750	41,656	4,578,618	4,422,743	3,771,615	4,093,396	(4)	0	0	0
Adjustment to prior years' Surplus Distribution	0	0	0	0	0	0	0	0	0	0
Current year Surplus Distribution	0	0	(4,514,174)	(2,000,000)	(2,000,000)	(2,000,000)	0	0	0	0
ACCUMULATED SURPLUS	1,569,617	1,457,867	25,884,845	25,820,402	14,294,587	12,522,972	(4)	0	0	0

The accompanying notes form an integral part of these Financial Statements.

Statements of Cash Flows.

FOR THE YEAR ENDED 30TH JUNE 2015

	Fidelity Guarantee Fund 2015	Fidelity Guarantee Fund 2014	Liability Fund 2015	Liability Fund 2014	Property Fund 2015	Property Fund 2014	Councillors and Officers Fund 2015	Councillors and Officers Fund 2014	Motor Vehicle Fund 2015	Motor Vehicle Fund 2014
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipt of contributions from members (including advance contributions & GST)	487,373	273,552	40,431,661	25,969,010	35,421,242	34,766,874	5,277,953	-	-	-
Receipt of Profit Share	-	-	1,896,008	1,611,673	-	-	-	-	-	-
Claims payments (net of recoveries)	(96,052)	(42,926)	(221,529)	54,612	(5,802,516)	(6,329,882)	-	-	-	-
Outward Reinsurance Payment	(350,000)	(275,897)	(33,571,733)	(35,174,554)	(16,446,592)	(16,786,380)	(5,230,003)	-	-	-
Payment of other expenses	(92,278)	(86,367)	(9,217,223)	(4,593,295)	(7,172,193)	(6,439,411)	(4)	-	-	-
Interest received	63,169	71,550	905,860	1,390,425	1,299,146	1,032,812	-	-	-	-
Net cash flows provided by operating activities	12,212	(60,088)	223,044	(10,742,129)	7,299,087	6,244,013	47,946	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES										
Surplus Distribution	-	(435,841)	(4,514,174)	(2,000,000)	(2,000,000)	(2,000,000)	-	-	-	-
Net cash flows used in financing activities	-	(435,841)	(4,514,174)	(2,000,000)	(2,000,000)	(2,000,000)	-	-	-	-
Net cash flows	12,212	(495,929)	(4,291,130)	(12,742,129)	5,299,087	4,244,013	47,946	-	-	-
Cash at the beginning of the year	1,778,247	2,274,176	26,443,074	39,185,203	25,853,532	21,609,519	-	-	-	-
Net increase / (decrease) in cash	12,212	(495,929)	(4,291,130)	(12,742,129)	5,299,087	4,244,013	47,946	-	-	-
Cash at the end of the year (Note 3)	1,790,460	1,778,247	22,151,944	26,443,074	31,152,618	25,853,532	47,946	-	-	-
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR										
Operating Result for the year	93,750	41,656	4,578,618	4,422,743	3,771,615	4,093,396	(4)	-	0	-
(Increase) / Decrease in Receivables	1,876	45,245	(88,373)	219,778	458,845	(296,621)	-	-	-	-
(Decrease) / Increase in Creditors & Accrued Expenses	1,259	(207)	(42,527)	4,445,759	561,094	1,040,891	-	-	-	-
Increase / (Decrease) in Contributions Received in Advance	3,411	(176,007)	(2,118,360)	(16,890,950)	259,351	(15,585)	47,950	-	-	-
(Increase) / Decrease in Accrued Profit Share Commission	-	-	-	-	-	-	-	-	-	-
Decrease / (Increase) in Reinsurance Recoveries	195,000	-	(19,097,266)	19,453,116	(3,547,725)	318,009	-	-	-	-
Decrease / (Increase) in Non-Reinsurance Recoveries	-	-	-	-	-	-	-	-	-	-
(Decrease) / Increase in Provisions for Doubtful Debts	-	-	(400,000)	(8,311,536)	-	-	-	-	-	-
(Decrease) / Increase in Outstanding Claims Provisions	(283,085)	29,224	17,390,953	(14,081,040)	5,795,905	1,103,925	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,212	(60,088)	223,044	(10,742,129)	7,299,087	6,244,013	47,946	-	0	-

Notes to and forming part of the Financial Statements.

FOR THE YEAR ENDED 30TH JUNE 2015

1 Significant Accounting Policies

The principal accounting policies adopted by Statewide Mutual in respect of the Liability Scheme, the Fidelity Guarantee Scheme, the Property Mutual Scheme, the Councillors and Officers Scheme, and the Motor Vehicle Scheme are stated to assist in a general understanding of these financial statements and have been consistently applied during the year.

The financial statements have been made out in accordance with the requirements in the Deed of Establishment dated 22 March 1994, and the accounting policies described below.

(a) Accounting basis

The directors have prepared the financial statements on the basis that the company is a non reporting entity because there are no users dependent on general purpose financial statements.

The financial statements are therefore special purpose financial statements that have been prepared in order to meet the needs of members.

The financial statements have been prepared in accordance with the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of the members. Such accounting policies consistent with the previous period unless stated otherwise.

(b) Contributions

Contributions comprise amounts charged to members of the Scheme for policy cover. The earned portion of contributions received is recognised as revenue. Contributions are earned from the date of attachment of risk.

All contributions received, except for amounts received in advance were fully earned at balance date. The pattern of recognition over the policy is based on time, which is considered to closely approximate the pattern of risks undertaken.

Contributions are recognised net of the amount of goods and services tax (GST). Receivables are stated with the amount of GST included. The amount of GST payable to the Australian Tax Office (ATO) is recognised as a current liability in the Statement of Financial Position.

(c) Claims

Liability, Property and Fidelity Schemes

Claims incurred expense and a liability for outstanding claims are recognised in respect of business written during the period. The liability covers claims incurred but not yet paid, incurred but not reported claims, and the anticipated costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating un-notified claims and settlement costs using statistical and actuarial techniques. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The outstanding claims liability for the Liability Scheme has been set having regard to independent actuarial advice.

The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation and "superimposed inflation". Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The expected future payments are then discounted to a present value at the reporting date using risk free discount rates. The discount recognised is limited to interest income that can be earned on cash and other financial assets held by the Liability Scheme.

Councillors and Officers and Motor Vehicle Schemes

The Councillors and Officers and Motor Vehicle schemes are fully reinsured and all claims are managed by the reinsurer. The claims and corresponding reinsurance recoveries on these schemes have been calculated, recorded and reported in the financial statements on a net basis.

(d) Other Financial Assets

Investments, primarily cash on deposit with banks, are valued at net market value at balance date.

(e) Non Reinsurance recoveries

The non reinsurance recoveries represents recoveries pursued against third parties as a result of claims previously paid by Statewide. The recoveries of such claims are generally litigious and can take considerable time to collect. As such, recoveries are only recognised when the amount is certain to be recovered.

(f) Cash flows

For the purpose of the statements of cash flows, cash includes cash at bank, deposits held at call with banks, and other short term deposits.

(g) Excess and Recoveries

When claim payments made by the Schemes include excesses (or part thereof) recoverable from Members, excesses due at balance date are brought to account as recoveries outstanding.

(h) Taxation

The Scheme operates as a trust in accordance with existing Australian tax law and intends to distribute all its taxable income (investment income) to beneficiaries. Accordingly, no provision for income tax has been made.

2 Accounting Estimates and Judgements

Accounting estimates and Judgements

Management discussed with the Finance Committee the development, selection and disclosure of the Scheme's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

The key area of estimation uncertainty for the Schemes is in its estimation of outstanding claims, reinsurance recoveries and profit commissions.

Outstanding Claims

The outstanding claims provision comprises the central estimate and a risk margin which is added to the central estimate to achieve a desired probability of adequacy. The outstanding claim provision is discounted to reflect the time value of money.

A central estimate is an estimate of the level of claims provision that is intended to contain no intentional under or over estimation. A risk margin is added to the central estimate of outstanding claims in order to increase the probability that the estimates will be adequate.

Central estimates for each class of business are determined by reference to a variety of estimation techniques. These are generally based on actuarial analysis of historical experience and assume an underlying pattern of claims development and payment. The final selected central estimates are based on a judgmental consideration of the results of each method and other qualitative information. Qualitative information might include for example, the class of business, the maturity of the portfolio and the expected term to settlement of the class. Projections are based on both historical experience and external benchmarks where relevant.

Reinsurance Recoveries

Central estimates are calculated gross of any reinsurance and non-reinsurance recoveries. A separate estimate is made of the amounts recoverable from reinsurers and other parties.

The nature of the liability claims for which Statewide Mutual provides cover is such that they can take many years to settle with related "Excess Layer" reinsurance recoveries not falling due for payment until the primary claim has been finalised.

During the first four years of its operation (1995-1998) Statewide Mutual placed a significant proportion of its Liability Reinsurance Programme

with the FAI Insurance Group ("FAI"). In August 2001, FAI, which by then had become a wholly owned subsidiary of HIH Insurance, was placed into liquidation along with other entities in the HIH Group. In addition Statewide Mutual also has exposure to the insolvent UK insurer, Independent Insurance Company Limited ("Independent Insurance") that provided reinsurance cover in the Liability and Property Schemes' Insurance Programmes.

In view of the significant uncertainties as to whether Statewide Mutual will eventually recover any of the reinsurance recoveries due from FAI and Independent Insurance, a provision for non recovery amounting to nil (2014: \$1.65 million) has been raised in the financial statements at 30 June 2015, refer to Note 8.

The outstanding claims are projected assuming no recoveries from insolvent Insurers.

Reinsurance Profit Commissions

From 2004 the Scheme has participated in a national reinsurance programme which covers Statewide Mutual and similar schemes in other states. The reinsurance treaty includes a profit commission clause which pays a profit commission to the member schemes after 10 years if premium paid to reinsurers exceed the ultimate claims paid by the schemes in the relevant underwriting year.

The reinsurance profit commission represents the present value of the projected surplus on the 2004 to 2007 Liability Fund years. The entitlement to profit commission is sensitive to future claims expense on the 2008 to 2013 Fund Years, the cumulative national claims experience and the interest rate movements over the next 10 years.

The profit commissions are accounted for on a cash basis and therefore only accounted for when they are received.



Fidelity Guarantee Fund 2015	Fidelity Guarantee Fund 2014	Liability Fund 2015	Liability Fund 2014	Property Fund 2015	Property Fund 2014	Councillors and Officers Fund 2015	Councillors and Officers Fund 2014	Motor Vehicle Fund 2015	Motor Vehicle Fund 2014
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3 CASH ASSETS

Cash at the end of the year as shown in the statements of cash flows consists of:

Cash Assets	250,460	276,247	2,814,943	3,939,073	2,047,618	887,533	47,946	-	-	-
Investments	1,540,000	1,502,000	19,337,000	22,504,000	29,105,000	24,966,000	-	-	-	-
	1,790,460	1,778,247	22,151,943	26,443,073	31,152,618	25,853,533	47,946	0	0	0

4 RECEIVABLES

Recoveries outstanding	0	0	31,744	80,844	661,277	768,566	0	0	0	0
Accrued interest	32,213	34,073	361,539	300,031	442,069	567,759	0	0	0	0
Prepayment	(0)	(0)	3,118,627	3,139,012	(0)	(0)	0	0	0	0
Prepayment GST	0	0	0	0	0	0	0	0	0	0
GST debtors	0	16	120,122	107,899	12,456	8,674	0	0	0	0
Debtors Sundry	0	0	1,293,938	1,209,810	0	0	0	0	134,781	0
Debtors	0	0	0	0	614,555	844,202	0	0	0	0
	32,213	34,090	4,925,970	4,837,596	1,730,357	2,189,201	0	0	134,781	0
Non reinsurance recoveries - current	0	0	507,441	507,441	0	0	0	0	0	0
Reinsurance recoveries - current	5,000	200,000	35,102,535	30,328,219	5,042,259	1,494,536	0	0	0	0
Reinsurance recoveries - non current	0	0	98,204,730	83,881,781	0	0	0	0	0	0
Provision for Doubtful Debts - current	0	0	(507,441)	(507,441)	0	0	0	0	0	0
Provision for Doubtful Debt - non current	0	0	0	(400,000)	0	0	0	0	0	0
	37,213	234,089	138,233,235	118,647,596	6,722,616	3,683,737	0	0	134,781	0

5 CLAIMS EXPENSE

Net Claims Paid	96,068	42,911	125,179	63,745	5,798,734	6,325,649	0	0	0	0
Claims outstanding at beginning of year	(320,727)	(291,503)	(115,960,000)	(130,041,040)	(13,706,283)	(12,602,358)	0	0	0	0
Claims outstanding at end of year	37,642	320,727	133,350,953	115,960,000	19,502,187	13,706,283	0	0	0	0
Recoveries outstanding at beginning of year	0	0	80,844	101,886	768,566	661,248	0	0	0	0
Recoveries outstanding at end of year	0	0	(31,744)	(80,844)	(661,277)	(768,566)	0	0	0	0
Reinsurance Recoveries at beginning of year	200,000	200,000	114,210,000	133,663,116	1,494,536	1,812,544	0	0	0	0
Less Reinsurance Recoveries at end of year	(5,000)	(200,000)	(133,307,266)	(114,210,000)	(5,042,259)	(1,494,536)	0	0	0	0
Non reinsurance recoveries at beginning of year	0	0	507,441	507,441	0	0	0	0	0	0
Non reinsurance recoveries at end of year	0	0	(507,441)	(507,441)	0	0	0	0	0	0
Doubtful debts at beginning of year	0	0	(400,000)	(8,711,536)	0	0	0	0	0	0
Doubtful debts at end of year	0	0	0	400,000	0	0	0	0	0	0
	7,983	72,135	(1,932,034)	(2,854,673)	8,154,204	7,640,264	0	0	0	0

As noted in 1(c), the claims expense for the Councillors and Officers and Motor Vehicle Schemes are disclosed on a net basis. As these schemes have 100% reinsurance, the net exposure is nil.

Fidelity Guarantee Fund 2015	Fidelity Guarantee Fund 2014	Liability Fund 2015	Liability Fund 2014	Property Fund 2015	Property Fund 2014	Councillors and Officers Fund 2015	Councillors and Officers Fund 2014	Motor Vehicle Fund 2015	Motor Vehicle Fund 2014
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6 OTHER SCHEME EXPENSES

Scheme Admin, Funds Management, Claims Management and Risk Management Fee	90,000	82,800	6,841,345	6,686,409	5,778,440	5,839,112	0	0	0	0
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7 OUTSTANDING CLAIMS

Reported claims outstanding	37,642	320,727	55,841,098	47,462,076	17,902,187	11,476,283	0	0	0	0
Provision for claims incurred but not reported, claims development, prudential margin and claims settlement costs.	0	0	88,853,083	82,647,834	1,600,000	2,230,000	0	0	0	0
Discount to present value	0	0	(11,343,228)	(14,149,910)	0	0	0	0	0	0
	37,642	320,727	133,350,953	115,960,000	19,502,187	13,706,283	0	0	0	0

COMPRISING

Current Liabilities	37,642	320,727	25,054,098	22,842,000	19,502,187	13,706,283	0	0	0	0
Non-Current Liabilities	0	0	108,296,855	93,118,000	0	0	0	0	0	0
	37,642	320,727	133,350,953	115,960,000	19,502,187	13,706,283	0	0	0	0

The Actuarial assumptions with respect to the Liability Fund are:

- The average term to settlement of outstanding claims is 2015: 0.35 years (2014: 0.51 years)
- The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.

	2014	2015	2015 and beyond	2016 and beyond
Inflation Rate	2.50 to 4.00%	2.50 to 3.50%	2.50 to 4.00%	2.50 to 4.00%
Superimposed Inflation Professional Indemnity	0.00%	0.00%	0.00%	0.00%
Superimposed Inflation Personal Injury	0.00%	0.00%	0.00%	0.00%
Discount Rate Range	2.63%	2.00%	2.52 to 5.14%	2.00 to 4.50%

8 Provision For Doubtful Debts

No provision (2014:100%) has been made for potential non-payment of current and future reinsurance recoveries due from FAI Insurance due to the liquidation of the HIH Group.

No provision has been made against any exposure to Independent Insurance Company Limited.

A provision was made for the potential non recovery from "The Underwriting Insurance Company" for the Estimated Ultimate Claims Liability of 2015 \$nil, (2014 \$1,700,795, discounted by \$50,134 to current value \$1,650,661).

9 Provision For Surplus Distributions

In accordance with the Board of Management meeting resolution dated 11 October 2002, and also with Clause 9.11.2 of the Statewide Mutual Deed of Establishment, a distribution (of an amount to be determined by the Board of Management) will be made after the adoption of the Financial Statements at the end of each financial year.

Certificate by Chairman and Finance Committee Chairman.

In our opinion, the accompanying financial statements of Statewide Mutual comprising the Statements of Financial Position, Statements of Financial Performance, Statements of Cash Flows and accompanying notes as set out on pages 18 to 24:

- (a) presents fairly the financial position of the Scheme as at 30 June 2015 and of its performance as represented by the results of its operations and its cash flows for the year ended on that date;
- (b) are drawn up in accordance with the provisions of the Deed of Establishment dated 22 March 1994; and
- (c) are drawn up in accordance with the accounting policies contained in note 1.

Dated 10 September 2015



BILL WARNE
Chairman of Board of Management



ROSS MCCREANOR
Chairman of Finance Committee

Independent audit report.

Independent audit report to the members of the following Schemes (“the Schemes”):

Statewide Mutual Liability Scheme
Statewide Mutual Fidelity Guarantee Scheme
Statewide Mutual Property Mutual Scheme
Statewide Mutual Councillors and Officers Scheme
Statewide Mutual Motor Vehicle Scheme

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of the Schemes, which comprises the Statement of Financial Position as at 30 June 2015, and the Statement of Financial Performance, and Statement of Cash Flows for the year ended on that date, Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information and the Chairman’s assertion statement.

Board of Management’s responsibility for the financial report

The Board of Management (“the Board”) are responsible for the preparation and fair presentation of the special purpose financial report and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the Deed of Establishment dated 22 March 1994 and is appropriate to meet the needs of the members. The Board’s responsibility also includes such internal control as the Board determine necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Schemes’ preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Schemes’ internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in

accordance with the basis of accounting described in Note 1 to the financial statements so as to present a view which is consistent with our understanding of the Scheme’s financial position, and of its performance and cash flows.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor’s opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the Schemes as of 30 June 2015 and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

Basis of accounting and restriction on distribution and use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist the Schemes to meet the requirements of the Deed of Establishment dated 22 March 1994. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Schemes and its members and should not be distributed to or used by parties other than the Schemes and its members. We disclaim any assumption of responsibility for any reliance on this report, or on the financial report to which it relates, to any person other than the Board of Management and its members or for any other purpose than that for which it was prepared.



Leann Yuen - KPMG
Partner

Sydney, 10 September 2015



**statewide
mutual.**

Naamon Eurell

Executive Officer | Statewide Mutual

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**Strength.
Stability.
Integrity.**