



**statewide
mutual.**



Annual Report
and financial statements for
the year ended 30 June 2016.

**Strength.
Stability.
Integrity.**

Mutuality hinges on a shared vision of purpose, outlook and loyalty; collective individual commitment delivers long-term value for all.

Statewide Mutual is a unique local government community. Member-owned and member-driven, together we endure all market conditions – and have done so for over two decades.

Today, members continue to benefit from enviable financial strength, stable member contributions and operational integrity – while enjoying a ‘whole of risk solution’ combining risk management, insurance placement and claims administration.



Warringah Freeway
Sydney, NSW



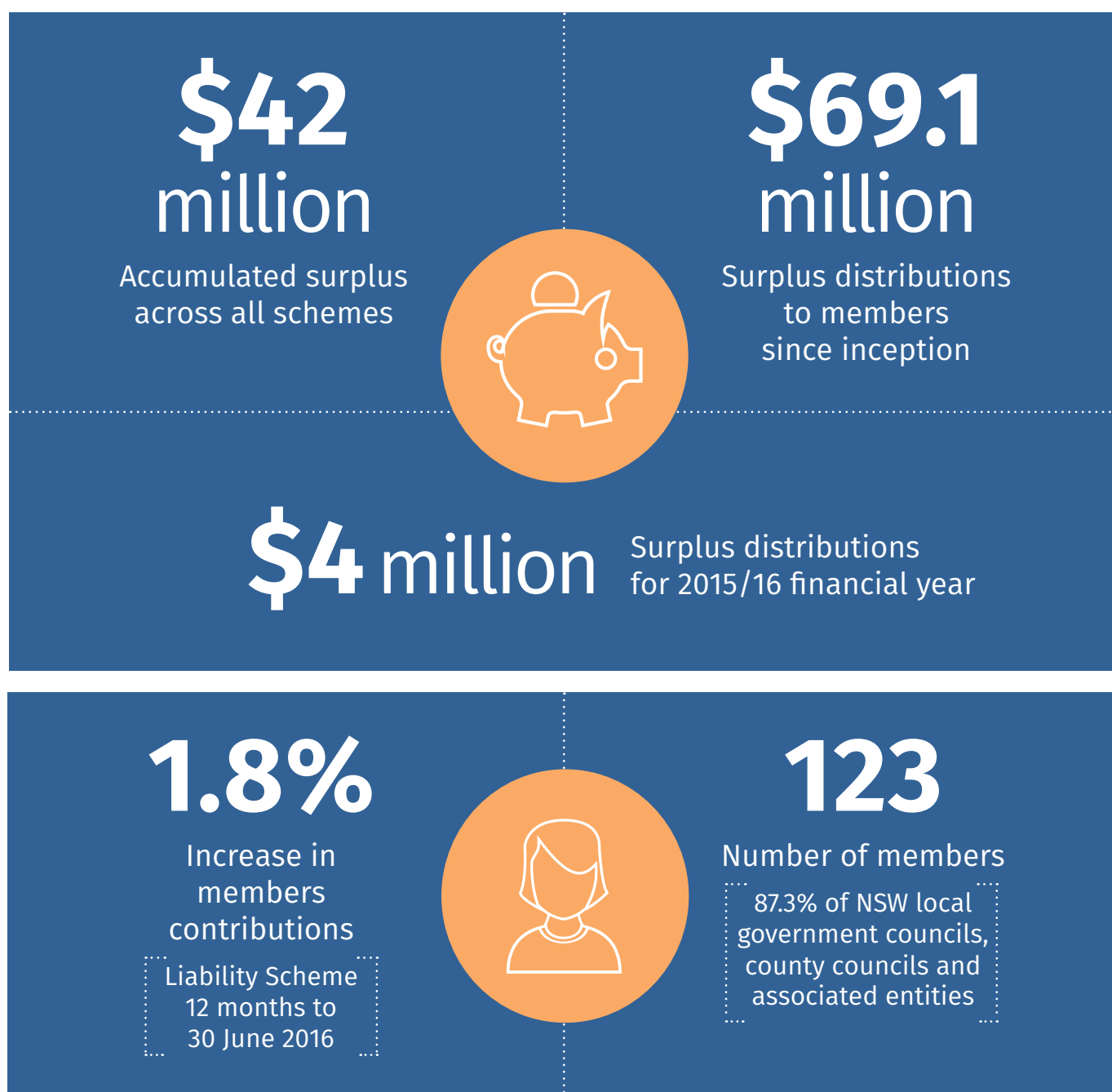
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Going from strength to strength.

Statewide Mutual has been the choice of insurance provider for NSW local government for many years. The figures below provide insight into why we remain the largest self-insurance pool in Australia. The mutual currently has almost nine out of every ten councils as members.



As at 30 June 2016.



Taralga Wind Farm - Taralga, NSW



Members.

All schemes as at 30 June 2016

Albury City	L P Cr CO M	Cootamundra Gundagai	L P Cr CO M
Armidale Regional Council	L P Cr CO M	Cowra	L P Cr CO M
Ballina	L P Cr CO M	Dubbo Regional	L P Cr CO M
Balranald	L P Cr CO M	Dungog	L P Cr CO M
Bathurst Regional	L P Cr CO M	Edward River	L P Cr CO M
Bega Valley	L P Cr CO M	Eurobodalla	L P Cr CO M
Bellingen	L P Cr CO M	Federation	L P Cr CO M
Berrigan	L P Cr CO M	Forbes	L P Cr CO M
Bland	L P Cr CO M	Georges River	L P Cr CO M
Blayney	L P Cr CO M	Gilgandra	L P Cr CO M
Bogan	L P Cr CO M	Glen Innes Severn	L P Cr CO M
Bourke	L P Cr CO M	Goldenfields (Water) County	L P Cr CO M
Brewarrina	L P Cr CO M	Goulburn Mulwaree	L P Cr CO M
Broken Hill City	L P Cr CO M	Greater Hume	L P Cr CO M
Byron	L P Cr CO M	Griffith City	L P Cr CO M
Cabonne	L P Cr CO M	Gunnedah	L P Cr CO M
Campbelltown City	L P Cr CO M	Gwydir	L P Cr CO M
Canada Bay City	L P Cr CO M	Hawkesbury River County	L P Cr CO M
Canterbury Bankstown	L P Cr CO M	Hay	L P Cr CO M
Carrathool	L P Cr CO M	Hilltops	L P Cr CO M
Castlereagh Macquarie County	L P Cr CO M	Hornsby	L P Cr CO M
Central Darling	L P Cr CO M	Inner West	L P Cr CO M
Central Murray County	L P Cr CO M	Inverell	L P Cr CO M
Central Tablelands Water	L P Cr M	Junee	L P Cr CO M
Cessnock City	L P Cr CO M	Kempsey	L P Cr CO M
Clarence Valley	L P Cr CO M	Ku-Ring-Gai	L P Cr CO M
Cobar	L P Cr CO M	Kyogle	L P Cr CO M
Cobar Water Board	L P Cr	Lachlan	L P Cr CO M
Coffs Harbour City	L P Cr CO M	Lake Macquarie City	L P Cr CO M
Coolamon	L P Cr CO M	Leeton	L P Cr CO M
Coonamble	L P Cr CO M	Lismore City	L P Cr CO M

Lithgow City	L	P	Cr	CO	M
Liverpool Plains	L	P	Cr	CO	M
Lockhart	L	P	Cr	CO	M
Maitland City	L	P	Cr	CO	M
Mid Coast (Water) County	L	P	Cr	CO	M
Mid-Western Regional	L	P	Cr	CO	M
Moree Plains	L	P	Cr	CO	M
Mosman	L	P	Cr	CO	M
Murray River	L	P	Cr	CO	M
Murrumbidgee	L	P	Cr	CO	M
Muswellbrook	L	P	Cr	CO	M
Nambucca	L	P	Cr	CO	M
Narrabri	L	P	Cr	CO	M
Narrandera	L	P	Cr	CO	M
Narromine	L	P	Cr	CO	M
New England Tablelands	L	P			M
Newcastle City	L	P	Cr	CO	M
Norfolk Island	L	P	Cr	CO	M
North Sydney	L	P	Cr	CO	M
Northern Beaches	L	P	Cr	CO	M
Oberon	L	P	Cr	CO	M
Orange City	L	P	Cr	CO	M
Parkes	L	P	Cr	CO	M
Port Macquarie Hastings	L	P	Cr	CO	M
Port Stephens	L	P	Cr	CO	M
Queanbeyan Palerang	L	P	Cr	CO	M
Randwick City	L	P	Cr	CO	M
Richmond Valley	L	P	Cr	CO	M
Riverina (Water) County	L	P	Cr	CO	M
Rous County	L	P	Cr	CO	M
Ryde, City of	L	P	Cr	CO	M
Shoalhaven City	L	P	Cr	CO	M
Singleton	L	P	Cr	CO	M
Snowy Monaro	L	P	Cr	CO	M
Snowy Valleys	L	P	Cr	CO	M
Southern Slopes County	L	P	Cr	CO	M
Strathfield	L	P	Cr	CO	M
Sutherland	L	P	Cr	CO	M
Tamworth Regional	L	P	Cr	CO	M
Temora	L	P	Cr	CO	M
Tenterfield	L	P	Cr	CO	M
Tweed	L	P	Cr	CO	M
Upper Hunter County	L		Cr		M
Upper Hunter Shire	L	P	Cr	CO	M
Upper Lachlan	L	P	Cr	CO	M
Upper Macquarie County	L		Cr	CO	M
Uralla	L	P	Cr	CO	M
Wagga Wagga City	L	P	Cr	CO	M
Walcha	L	P	Cr	CO	M
Walgett	L	P	Cr	CO	M
Warren	L	P	Cr	CO	M
Warrumbungle	L	P	Cr	CO	M
Weddin	L	P	Cr	CO	M
Wentworth	L	P	Cr	CO	M
Willoughby City	L	P	Cr	CO	M
Wingecarribee	L	P	Cr	CO	M
Wollondilly	L	P	Cr	CO	M
Woollahra	L	P	Cr	CO	M
Yass Valley	L	P	Cr	CO	M

L Liability Scheme

P Property Mutual Scheme

Cr Crime Scheme

CO Councillor's & Officers' Cover

M Motor Vehicle Cover



Chairman's welcome.

I'm pleased to present an overview of the 2015/16 financial year for Statewide Mutual. Together we delivered another strong result, especially considering the combined impact of substantial claims from natural disasters, local government reforms and increased competition from the commercial market.

Inside you'll find financial details of the mutual and key operational outcomes for the period. There's commentary from our Executive Officer, Naamon Eurell and Brian Bell as chair of both the Claims & Risk Management and Marketing Committees.

Members: strength in numbers

We retained all members throughout renewals during the 2015/16 financial year. When considering the impact of amalgamations reducing the number of actual councils, we retained 123 members. This equates to 87% of NSW local government councils, counties and associated entities making the decision to remain with Statewide Mutual.

Membership of the various schemes at 30 June 2016 was:

- Liability Scheme – 123
- Property Mutual Scheme – 121
- Crime Scheme – 122
- Councillors' and Officers' Cover – 119
- Motor Vehicle Cover – 122

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

Scheme performance

All schemes performed very well, culminating in a record accumulated surplus of \$41,956,523 at 30 June 2016. As with recent financial years, this surplus result meant the board could maintain relatively stable member contributions for the period.

Liability Scheme

The Liability Scheme reported a deficit of \$528,237 for the financial year from ordinary activities, compared a surplus of \$4,578,617 for the 2014/15 financial year. This amounted an accumulated surplus of \$22,793,739 at 30 June 2016.

The deficit was largely due to the lower member contributions, higher reinsurance expense and no reinsurance profit share received this year. Additionally, \$562,869 was provided to the Councillors' and Officers' Scheme to assist break-even in its early years.

A distribution to members of \$2 million was made during the year, while member contributions increased by a mere 1.8% for the period.

Property Mutual Scheme

The Property Mutual Scheme reported a surplus of \$5,347,878 for the financial year from ordinary activities, compared to a surplus of \$3,771,615 for the previous financial year. This amounted an accumulated surplus of \$17,642,465 at 30 June 2016. A distribution of \$2 million was made during the year.

The result was predominantly due to releases of prior year claims estimates and lower risk management expenses.

The self-insured retention (SIR) component was exceeded during the financial year, however member contributions remain stable.

Crime Scheme

The Crime Scheme reported a deficit of \$65,529 for the financial year from ordinary activities, compared to the prior year surplus of \$ 93,750. This was mostly due to changes in the scheme, namely adding additional cover for cyber crime and the associated costs.

The accumulated surplus of the Crime Scheme totalled \$1,504,088 at 30 June 2016.

It's noted that 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.

Surplus distributions

Statewide Mutual continues to distribute funds in surplus of our needs back to members, as has been the practice for many years.

Surplus distributions totalling \$4 million were recently rebated to members, primarily due to low claims occurrences in the Liability and Property Mutual Schemes throughout 2015/16. Widespread member participation in the Risk Management Program has also been a factor.

We don't hold onto surpluses as we acknowledge members could better utilise the funds for the benefit of their communities. To date, we've handed back over \$69.1 million to members, with all receiving a cheque since 1988.

Motor Vehicle Cover and Councillors' and Officers' Cover

Motor Vehicle Cover and Councillors' and Officers' Cover were introduced in July 2013 to provide member councils with relevant and in-demand products. The popularity of these two schemes continues.

Motor Vehicle Cover performed strongly throughout 2015/16, with members receiving a considerable claims experience discount from underwriters.

A SIR component was introduced for Councillors' and Officers' Cover over the period, allowing more control over costs and the claims process. The incentive here is to also act as a hedge against a hardening insurance market seeking to increase premiums.

Board of Management

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

The board remained true to their cause of improving members' risk situation throughout this challenging year.

I'd like to compliment the entire board on their dedication. They all hold senior positions within their respective councils, yet still go beyond the call of duty for the mutual on a daily basis.

Their input into events such as the annual strategic planning day, which helped determine the direction for future planning to deal with key issues such as competition, are indicative of this commitment.

Most of the board have completed the Australian Institute of Company Directors education initiatives aimed at helping them excel in their duties. They also made themselves more available to members as part of the dispute resolution process.

Special acknowledgment needs to be given Brian Bell as deputy chair of the board and chair of the Claims and Risk Management and Marketing Committees, as well as Ross McCreanor as chair of the Finance Committee. Both gentlemen continue to impress me with their focus on fulfilling their respective roles.

JLT

JLT contributed heavily to Statewide Mutual's impressive 2015/16 financial year result as scheme manager responsible for re-insurance placement, claims administration and risk management expertise.

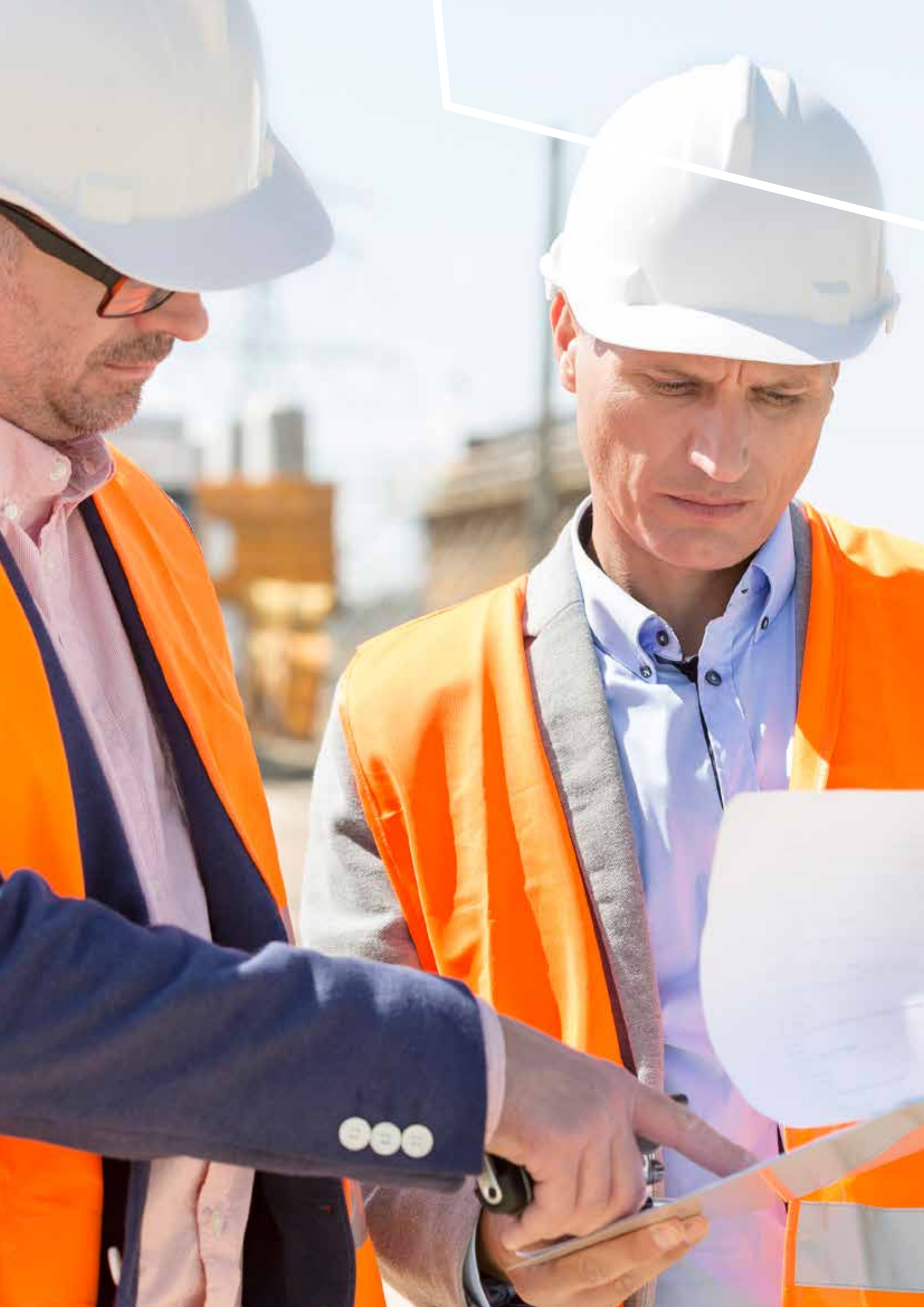
Apart from acknowledging the diligent work of Leo Demer and Stephen Penfold who lead-up JLT's operations Australia-wide, I'd like to thank Ron Barnes who left the JLT team in January 2016 after more than two decades. Ron was integral in overseeing the development and implementation of our acclaimed risk management program, including pulling together the Regional Risk Manager Network. His deep understanding of risk provided us with much-needed support in navigating this often complex area.

Also worthy of a special mention is Naamon Eurell, Executive Officer, and the rest of the JLT team. The mutual is as successful as it has ever been largely thanks to their efforts.

2017 will bring further challenges, apart from further local government reforms and a changing landscape, yet I'm confident together we'll continue to deliver unparalleled strength, stability and integrity across the membership.



Bill Warne
Chairman of the Board of Management





Executive Officer's report.

Once again, it's been an enormous honour to administer Statewide Mutual on behalf of our member councils for another year.

Board of Management

First and foremost, I'd like to thank our entire board for their commitment to running the scheme on behalf of the councils they represent. Their guidance ensures the scheme is truly run to benefit members in a manner befitting the local government industry. In particular, I'd like to acknowledge the work of our Chairman, Bill Warne of Queanbeyan - Palerang Regional Council, along with the chairs of the Claims and Risk, and Finance Committees: Brian Bell of Lake Macquarie City Council and Ross McCreanor of North Sydney Council, respectively.

Since the last annual report, Kyme Lavelle, Daryl Hagger and Roger Bailey have left the board for differing reasons – I thank them (and their families) for their contributions to the scheme. They've all served the board for a considerable period and are great advocates for mutuality. However, we are delighted to have the contributions of the newest members of our board: Gary Murphy (Lismore City Council), Blair Hancock (Port Macquarie-Hastings Council) and Rebecca Ryan (Blayney Shire Council).

Amalgamations

It has been a turbulent year for our members. Many councils have either gone through amalgamations or are enduring the uncertainty of impending amalgamations, subject to legal action and changes in political will.

Notwithstanding all the changes, as always it has been an enormous honour to service our loyal client base throughout the financial year.

Competition from the commercial market

Our competitors continue to make many questionable claims. Members are being enticed to consider leaving the tried and tested model the mutual provides, and resort back to the traditional model that's historically, and repeatedly failed the industry. Despite increasing competitor activity over the past 18 months, our members have mostly remained loyal to their mutual.

However, we understand the need to stay current and demonstrate value. We rolled out three significant endorsements for members during 2016/17 renewals, including adding Drone and Pollution Cover within the Liability Scheme. Additionally, the Property Mutual added Flood Cover, with the value of that placement currently being realised for our members in Northern NSW.

JLT acknowledgments

Finally, I'd like to acknowledge the work of JLT in the management of the scheme. The ongoing premium stability and bespoke cover we're able to provide our members is a testament to their strong understanding of the insurance market and its relationship with the reinsurers of the scheme. For the last 20-odd years, Ken Edwards and Ron Barnes have been part of a team that's delivered the very best in service to our members. Both gentlemen have moved on from JLT, however I thank them for their many years of work, the guidance they've provided me and wish them well.

In closing, I'd also like to thank each member for their support over the past financial year. I look forward to again working closely with as many as possible in 2017.

Naamon Eurell
Executive Officer



Board and Committees.

Board of Management

<i>Representative</i>	<i>Council</i>
Bill Warne (Chairman)	Queanbeyan-Palerang Regional Council
Roger Bailey	Lithgow City Council
Brian Bell	Lake Macquarie City Council
Daryl Hagger	Kempsey Shire Council
Guy McAnally-Elwin	Gilgandra Shire Council
Melissa McCoy	Shoalhaven City Council
Ross McCreanor	North Sydney Council
Gary Murphy	Lismore City Council
Jack O'Hara	Walcha Council
Scott Phillips	Hornsby Shire Council
Craig Richardson	City of Wagga Wagga

Finance Committee

<i>Representative</i>	<i>Council</i>
Ross McCreanor (Chair)	North Sydney Council
Roger Bailey	Lithgow City Council
Leo Demer	Jardine Lloyd Thompson
Guy McEnally-Elwin	Gilgandra Shire Council
Jack O'Hara	Walcha Council

Claims and Risk Management Committee

<i>Representative</i>	<i>Council</i>
Brian Bell (Chair)	Lake Macquarie City Council
Daryl Hagger	Kempsey Shire Council
Melissa McCoy	Shoalhaven City Council
Gary Murphy	Lismore City Council
Stephen Penfold	Jardine Lloyd Thompson
Scott Phillips	Hornsby Shire Council
Craig Richardson	City of Wagga Wagga
Bill Warne	Queanbeyan-Palerang Regional Council

Marketing Committee

<i>Representative</i>	<i>Council</i>
Brian Bell (Chair)	Lake Macquarie City Council
Gary Murphy	Lismore City Council
Scott Phillips	Hornsby Shire Council
Bill Warne	Queanbeyan-Palerang Regional Council

Claims and Risk Management Committee report.

The 2015/16 financial year, my second as chair of the Claims and Risk Management committee, brought with it a variety of exciting challenges. These included the fallout from amalgamations, policy enhancements and further development of risk management initiatives.

The committee continued to deal with claims in an effective and efficient manner throughout the period.

My appreciation

I'd like to extend my appreciation to the following people who greatly assisted the Claims and Risk Management Committee during the financial year:

- **Bill Warne** for his continual inspiration, leadership and relentless hard work
- **Naamon Eurell**, who is an invaluable source of advice to members and assisted the board and committees in countless ways.
- **Melissa Tooke** (Senior Regional Risk Manager) for providing concise information for board papers and feedback from the field throughout the period.
- **Michael Down** and his team at Mills Oakley Lawyers for providing invaluable support and guidance in claims management throughout the year.
- **Stephen Penfold & Ron Barnes** from JLT their participation on the committee and undertaking the reinsurance placement in London.

Cover enhancements

Flood cover, drone insurance and environmental protection were added to the overall policy throughout the financial year.

As each council's exposure to flooding is different, we assessed the flood risk of an LGA on a case by case basis in order to tailor the best solution for individual members.

The Liability Scheme was further expanded to include *drone cover*. With the ever-increasing council use of drones for a myriad of purposes, this cover provides for damage done to property or individuals due to drone accidents.

Thanks to our close relationship with underwriters, the committee also helped negotiate the sourcing of *environmental protection* at no additional cost to members.

We also finally resolved a long-running claim for Byron Shire Council that has been in the courts since 2005. We worked very hard with residents to ensure a practical compromise could be reached.

Risk Management initiatives

Our team of seven Regional Risk Managers played a vital function in reassuring members we have professionals on the ground ready to offer support and guidance. They relayed region-specific happenings back to the board following their many Regional Risk Management group meetings.

From an education point of view, the various e-learning platforms continued to be promoted. These included the CIMS contractor and 'Fundamentals to risk management for local government' e-learning modules, as well as the Affiliated FM training portal.

Many members undertook tailored coaching and mentoring programs over the period. Some of the most popular programs include risk management awareness training for new staff members, event management workshops and incident investigation.

What's in store for 2017?

Among many initiatives planned for the coming year, the board will be talking directly with NSW local government opinion leaders on all things risk management. We seek member input on what they'd like to see regarding programs, initiatives and tools.

We'll also be winding-up one of our long-standing member council initiatives: Integrity Management for Local Government program. The interactive training program helped senior managers identify systems and behaviours that exposed organisations to reputation-damaging risks, and councillors to potential liabilities. Please contact Naamon Eurell, Executive Officer, for more information on this program.

I look forward to being of further service to members over the next financial year.



Brian Bell
Claims and Risk Management committee





Marketing Committee report

It's been three and a half years since the Marketing Committee was established – my second as chair. Our remit from the beginning has been to plan, develop, assess and approve all internal and external marketing communications activity.

The goal of the Marketing Committee is to enhance the mutual's image as the industry-wide leading expert in local government insurance and grow member confidence. We certainly made headway towards this goal throughout the financial year, even in the face of some stiff competition from the commercial market.

Our strategic marketing partner, Cuckoo Creative, worked closely with Naamon Eurell, Executive Officer, in delivering a range of activities including:

- sponsorship and events;
- member and industry communications; and
- member satisfaction research.

I'd like to thank all Marketing Committee members (listed on page 10), Naamon and Cuckoo for their dedication to the often challenging tasks involved in communicating to such a broad range with often limited budgets. The commitment and collaboration shown by all is most impressive.

Sponsorship activity

Over the past three years, we've gained enormous exposure through sponsorship arrangements of key industry conferences, awards nights and seminars.

The key sponsorship event of the 2015/16 financial year was the 2015 LGNSW Annual Conference. The conference presented an excellent platform for building relationships with elected officials and decision makers from member and non-member councils. We achieved great brand exposure, but most importantly we reconnected with many members.

Other sponsorship activity included the LG Week Awards, at which our chairman Bill Warne presented an awards category, and the Mayors' Weekend Seminar run by LGNSW.

Risk Management Conference

Cuckoo also worked closely with the mutual on the 2015 Risk Management Conference, themed *Communicating Risk*. Speakers from all corners of industry spoke on topics that aimed to help risk managers better connect with stakeholders outside of the risk team.

Member and industry communications

Our e-newsletter Statewide News continued to provide members and the local government sector with topical news and notice of key happenings. Three issues were released during the period which was read by an impressive 43% of recipients; the industry average for this communication medium is 10-15%.

Like most of my colleagues, I was concerned about the previous-mentioned large commercial market competitor contacting members with false information; in one case coercing members into going to tender by alleging they're in breach of their statutory obligations if they don't. Needing to set the story straight, we undertook an extensive member email campaign to diffuse this.

Other communications initiatives included:

- reformatting and simplifying best practice manuals, guidance notes and training modules under the one 'Guidance Materials' library; and
- creating a company LinkedIn page, continual updates of the website and producing updated marketing collateral to showcase the evolution of our offering.

Benchmarking survey

We undertook a benchmarking survey later in the financial year, gauging member opinions of key components of Statewide Mutuals offering over a two-year period. A great response was received from an eager and engaged audience.

Among many positive outcomes, members told us familiarity of the mutual's product range has increased over the period, and the mutual appears to be providing better levels of service than two years ago.

The committee derives much value from these types of research projects. Analysis of the results are key ingredients that'll be used to guide an innovative and cost-efficient marketing strategy into 2017 and beyond.

Brian Bell
Marketing Committee



Benefits of mutuality.

With today's insurance industry becoming increasingly fragmented, commercial market providers are hungrily vying for a slice of the lucrative local government sector. Ultimately, these competitors exist to get their hands on Council's scarce dollars to satisfy underwriters' appetites for profits. Nothing more, nothing less.

This is in stark contrast to Statewide Mutual's model, which primarily focuses on benefitting our members. Fortunately, we remain steadfast in our mission to ensure the protection of members through stable premiums, cost containment and spread of risk – providing a significant degree of certainty in an ever-changing industry.

While we welcome competition, we object to misinformation being placed in the public domain. Grandiose claims continue to be made to entice members away from the mutual structure and its inherent benefits. Assertions regarding the limitations of mutuals, legislation requirements for tendering and grossly exaggerated premium savings are being bandied around willy-nilly.

We'd like to set the story straight by addressing some of these myths. At the same time, we want to reassure members they're part of a unique collective that's greater than the sum of its parts – benefiting from enviable levels of strength, stability and integrity.

Myth 1

Mutuals are a 'one size fits' all solution that doesn't account for diverse council size and needs.

False. As a mutual, we cater to the individual risk requirements of councils big and small. We actively listen to members and regularly create new solutions based on what they want (e.g. the introduction of cyber insurance and drone cover).

The cover we provide is specific to wide-ranging and changing needs of the membership. Statewide Mutual's policy wordings have evolved over 23 years working intimately with NSW local government. Our mutual model is scalable and provides broad cover to meet all contingencies while incorporating a high degree of flexibility to provide for councils of all sizes.

Myth 2

Commercial market providers exist to benefit local government.

False. Commercial market providers' primary goal is to maximise profits for underwriters. These 'traditional insurance placements' involve the insurer retaining 100% of accumulated profits. No surplus funds are rebated to councils for re-investment back into their communities.

Statewide Mutual members share in the accumulated surpluses across the various schemes, valued at \$42 million. To date, \$69.1 million has been returned to members in the form of surplus distributions.

The commercial market has little experience in NSW local government, no experience with rural council and no experience of our complex legislative framework. Furthermore, they've shown no ability or intention to use such experience to deliver the best outcomes for councils.

Statewide Mutual was created by local government to solely benefit local government. We're managed by member representatives who are elected by fellow members. The best interests of the mutual and NSW local government sector are our priorities.

Myth 3

Commercial market providers can offer lower premiums with comparable limits of cover.

False. Without the kind of economies of scale operating within Statewide Mutual, the competition can't offer lower premiums together with equivalent limits of cover.

Low premiums can usually only be offered by commercial market providers in the immediate sense, based on short-term claims records, and are usually accompanied by high deductibles. As the market fluctuates premiums will increase. Their inability to effectively spread risk across a large membership base compounds the likelihood of increased premiums.

It's also very unlikely commercial providers can match the mutual's \$500 million limit of cover for Public Liability and Professional Indemnity. Our collective purchasing power allows members access to the broadest possible protection at highly competitive premiums (member contributions). One of the key benefits of being part of a mutual is the ability to leverage membership scale, in turn creating long-term member contribution stability and relieve market volatility.

Myth 4

Commercial market providers offer comparable value-added services.

False. Compared to Statewide Mutual, commercial market providers offer extremely limited value-adding services.

Our 'whole of risk' solution, which includes industry-leading risk management programs and the expertise of a specialist local government claims team, has no peer. We go out of our way to help members manage their total risk exposures to the benefit of individual councils and the membership as a whole.

Risk management exists at the core of all we do, aimed at reducing incidences leading to claims. As a Mutual, we focus on risk because we have more skin in the game. We help identify risks, analyse potential consequences and establish adequate controls and measures.

We empower members to manage their own risk through better decisions, making communities better places to live, work and visit.

Myth 5

Statewide Mutual members are in breach of their statutory obligations if they don't go to tender for the provision of insurance services.

False. This is an inaccurate claim espoused by a large commercial market provider who failed to make headway in coercing NSW councils to resign from Statewide Mutual and review their insurance arrangements.

We commissioned legal advice to ascertain whether members are obliged to tender to continue participating in the mutual. The advice received unequivocally stated that the nature of the relationship between Statewide Mutual and its members was not a contract of the type defined in section 55 of the Local Government Act, entitled 'What are the requirements for tendering?'. The advice concluded that our members are under no statutory obligation to proceed to tender.

Let's not forget that Statewide Mutual was formed in response to commercial market underwriters withdrawing their support for local government in Public Liability and Professional Indemnity cover. If Council becomes a poor risk, what's stopping these same underwriters from simply walking away?

Members are urged to objectively examine any approaches from commercial providers, all while thinking about the real value being offered by Statewide Mutual.



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Statement of Financial Performance.

As at 30 June 2016

	2016 \$	2015 \$
Member Contributions	96,896,034	97,543,106
Outward Reinsurance Expense	(68,667,103)	(69,965,588)
Reinsurance Profit Share	-	1,896,008
Claims Expense (Note 7)	(8,436,793)	(6,230,153)
Other Scheme Expenses (Note 8)	(13,640,628)	(12,709,785)
Excess of contributions and reinsurance profit share over claims and related expenses	6,151,510	10,533,588
Investment Income	1,933,183	2,202,131
General Expenses (Note 8)	(3,877,215)	(4,291,741)
Surplus from Ordinary Activities	4,207,478	8,443,978
ACCUMULATED SURPLUS		
Accumulated Surplus at the beginning of the year	41,749,045	39,819,241
Operating Surplus from Ordinary Activities	4,207,478	8,443,978
Assistance to Councillors and Officers Scheme	-	-
Current year Surplus Distribution	(4,000,000)	(6,514,174)
ACCUMULATED SURPLUS	41,956,523	41,749,045

Statement of Financial Position.

As at 30 June 2016

	2016 \$	2015 \$
CURRENT ASSETS		
Cash Assets (Note 5)	6,095,688	5,160,968
Receivables (Note 6)	102,636,984	109,606,064
Reinsurance Recoveries (Note 6)	36,258,008	40,149,795
Non Reinsurance Recoveries (Note 6)	507,441	507,441
Provision for Doubtful Debts (Note 6)	(507,441)	(507,441)
Investments	51,215,000	49,982,000
	196,205,680	204,898,827
NON-CURRENT ASSETS		
Reinsurance Recoveries (Note 6)	94,012,364	98,204,731
	94,012,364	98,204,731
TOTAL ASSETS	290,218,044	303,103,558
CURRENT LIABILITIES		
Creditors and Accrued Expenses	13,372,834	14,279,453
Outstanding Claims (Note 10)	43,107,882	44,593,928
Unearned Contributions	90,009,406	93,980,695
Accrued Surplus Distributions	-	203,582
	146,490,122	153,057,658
NON-CURRENT LIABILITIES		
Outstanding Claims (Note 10)	101,771,399	108,296,855
TOTAL LIABILITIES	248,261,521	261,354,513
NET ASSETS/(LIABILITIES)	41,956,523	41,749,045
MEMBERS EQUITY		
ACCUMULATED SURPLUS/(DEFICIT)	41,956,523	41,749,045

Statement of Financial Position.

As at 30 June 2016

	2016 \$	2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipt of contributions from members (including advance contributions & GST)	96,431,029	81,365,896
Receipt of Profit Share	-	1,896,008
Claims payments (net of recoveries)	(8,180,909)	(6,120,097)
Outward Reinsurance Payment	(65,580,244)	(55,598,328)
Payment of other expenses	(18,462,694)	(16,229,364)
Interest received	2,164,120	2,268,173
Net cash flows provided by operating activities	6,371,302	7,582,288
CASH FLOWS FROM FINANCING ACTIVITIES		
Surplus Distribution	(4,203,582)	(6,514,174)
Net cash flows used in financing activities	(4,203,582)	(6,514,174)
Net cash flows	2,167,720	1,068,114
Cash at the beginning of the year	55,142,968	54,074,854
Net increase / (decrease) in cash	2,167,720	1,068,114
Cash at the end of the year	57,310,688	55,142,968
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR		
Operating Result for the year	4,207,478	8,443,978
(Increase) / Decrease in Receivables	6,969,079	(19,490,022)
(Decrease) / Increase in Creditors & Accrued Expenses	(906,617)	2,215,709
(Increase) / Decrease in Accrued Profit Share Commission	-	-
Decrease / (Increase) in Reinsurance Recoveries	8,084,154	(22,449,988)
(Decrease) / Increase in Provisions for Doubtful Debts	-	(400,000)
(Decrease) / Increase in Outstanding Claims Provisions	(8,011,503)	22,903,773
(Decrease) / Increase in Unearned Contributions	(3,971,289)	16,358,837
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,371,302	7,582,288

Notes to and forming part of the Financial Statements.

For the year ended 30th June 2016

1. SIGNIFICANT ACCOUNTING POLICIES

Statewide Mutual is a member owned self-insurance pool, providing insurance cover to Local Government Authorities in New South Wales.

The address of Statewide Mutual's principal place of business is Level 11, 66 Clarence Street, Sydney NSW 2000.

The principal accounting policies adopted by Statewide Mutual in respect of the Liability Scheme, the Crime 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.

The presentation of the Financial Statements has changed and are on a total basis for all schemes. This change is a presentational change and no restatement has been made from the prior year.

(a) Accounting basis

The directors have prepared the financial statements on the basis that Statewide Mutual 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 are consistent with the previous period unless stated otherwise.

The amounts in the financial statements have been rounded off to the nearest dollar, unless otherwise stated.

The financial report is presented in Australian Dollars, Statewide Mutual's functional currency.

(b) Contributions

Contributions comprise amounts charged to members of the Schemes 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 and Councillors and Officers 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 and Councillors and Officers Schemes have 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 and Councillors and Officers Schemes.

Property Scheme

The outstanding claims liability for the Property Scheme has been set by management estimates with regards to the current notified claims and the aggregate level for the scheme before reinsurance.

Motor Vehicle Scheme

The Motor Vehicle scheme is 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.

Crime Scheme

The outstanding claims liability for the Crime Scheme has been set based on the value of notified claims adjusted for paid claims plus an allowance for incurred but not reported claims.

(d) Investments

Investments comprise of primarily cash on deposit with banks. Cash on deposit with banks are carried at the face value of the amounts deposited. The carrying amounts of cash on deposit approximates fair value.

(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 are 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 Scheme is determined by reference to a variety of estimation techniques. For the Liability and Councillors and Officers Schemes these are 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. The Property and Crime Schemes are based on managements estimations based on current notified claims and the aggregate before reinsurance.

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.

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.

Notes to and forming part of the Financial Statements.

For the year ended 30th June 2016

3 REVENUE AND EXPENSES	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2016						
Member Contributions	1,290,095	42,180,485	33,434,064	5,381,306	14,610,084	96,896,034
Outward Reinsurance Expense	(1,237,181)	(34,192,117)	(15,093,880)	(3,550,072)	(14,593,853)	(68,667,103)
Reinsurance Profit Share	-	-	-	-	-	-
Claims Expense (Note 7)	(46,520)	261,100	(7,052,694)	(1,598,679)	-	(8,436,793)
Other Scheme Expenses (Note 8)	(114,273)	(7,003,328)	(5,731,575)	(791,452)	-	(13,640,628)
Excess of contributions and reinsurance profit share over claims and related expenses	(107,879)	1,246,140	5,555,915	(558,897)	16,231	6,151,510
Investment Income	49,977	767,520	1,094,593	21,093	-	1,933,183
General Expenses (Note 8)	(7,627)	(2,541,897)	(1,302,630)	(25,061)	-	(3,877,215)
Surplus from Ordinary Activities	(65,529)	(528,237)	5,347,878	(562,865)	16,231	4,207,478
ACCUMULATED SURPLUS						
Accumulated surplus at the beginning of the year	1,569,617	25,884,845	14,294,587	(4)	-	41,749,045
Operating Surplus from Ordinary Activities	(65,529)	(528,237)	5,347,878	(562,865)	16,231	4,207,478
Assistance to/from Councillors and Officers Scheme	-	(562,869)	-	562,869	-	-
Current year Surplus Distribution	-	(2,000,000)	(2,000,000)	-	-	(4,000,000)
ACCUMULATED SURPLUS	1,504,088	22,793,739	17,642,465	0	16,231	41,956,523
2015						
Member Contributions	483,962	42,550,021	34,932,244	5,230,003	14,346,876	97,543,106
Outward Reinsurance Expense	(350,000)	(33,592,117)	(16,446,592)	(5,230,003)	(14,346,876)	(69,965,588)
Reinsurance Profit Share	-	1,896,008	-	-	-	1,896,008
Claims Expense (Note 7)	(7,983)	1,932,034	(8,154,204)	-	-	(6,230,153)
Other Scheme Expenses (Note 8)	(90,000)	(6,841,345)	(5,778,440)	-	-	(12,709,785)
Excess of contributions and reinsurance profit share over claims and related expenses	35,979	5,944,601	4,553,008	-	-	10,533,588
Investment Income	61,309	967,367	1,173,455	-	-	2,202,131
General Expenses (Note 8)	(3,538)	(2,333,351)	(1,954,848)	(4)	-	(4,291,741)
Surplus from Ordinary Activities	93,750	4,578,617	3,771,615	(4)	-	8,443,978
ACCUMULATED SURPLUS						
Accumulated surplus at the beginning of the year	1,475,867	25,820,402	12,522,972	-	-	39,819,241
Operating Surplus from Ordinary Activities	93,750	4,578,617	3,771,615	(4)	-	8,443,978
Assistance to/from Councillors and Officers Scheme	-	-	-	-	-	-
Current year Surplus Distribution	-	(4,514,174)	(2,000,000)	-	-	(6,514,174)
ACCUMULATED SURPLUS	1,569,617	25,884,845	14,294,587	(4)	-	41,749,045



Notes to and forming part of the Financial Statements.

For the year ended 30th June 2016

4 FINANCIAL POSITION	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2016						
CURRENT ASSETS						
Cash Assets (Note 5)	262,758	4,046,124	1,496,823	289,983	-	6,095,688
Receivables (Note 6)	1,486,242	43,662,998	35,072,332	6,165,565	16,249,847	102,636,984
Reinsurance Recoveries (Note 6)	97,000	32,326,029	3,834,979	-	-	36,258,008
Non Reinsurance Recoveries (Note 6)	-	507,441	-	-	-	507,441
Provision for Doubtful Debts (Note 6)	-	(507,441)	-	-	-	(507,441)
Investments	1,315,000	17,950,000	31,450,000	500,000	-	51,215,000
	3,161,000	97,985,151	71,854,134	6,955,548	16,249,847	196,205,680
NON CURRENT ASSETS						
Reinsurance Recoveries (Note 6)	-	94,012,364	-	-	-	94,012,364
Provision for Doubtful Debts (Note 6)	-	-	-	-	-	-
	-	94,012,364	-	-	-	94,012,364
TOTAL ASSETS	3,161,000	191,997,515	71,854,134	6,955,548	16,249,847	290,218,044
CURRENT LIABILITIES						
Creditors and Accrued Expenses	142,906	5,077,285	6,153,208	530,242	1,469,193	13,372,834
Outstanding Claims (Note 10)	171,718	23,846,089	17,756,841	1,333,234	-	43,107,882
Unearned Contributions	1,342,288	38,509,004	30,301,619	5,092,072	14,764,423	90,009,406
Accrued Surplus Distributions	-	-	-	-	-	-
	1,656,912	67,432,377	54,211,668	6,955,548	16,233,616	146,490,122
NON CURRENT LIABILITIES						
Outstanding Claims (Note 10)		101,771,399				101,771,399
TOTAL LIABILITIES	1,656,912	169,203,776	54,211,668	6,955,548	16,233,616	248,261,521
NET ASSETS/(LIABILITIES)	1,504,088	22,793,739	17,642,465	-	16,231	41,956,523
MEMBERS EQUITY						
ACCUMULATED SURPLUS/(DEFICIT)	1,504,088	22,793,739	17,642,465	0	16,231	41,956,523

	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2015						
CURRENT ASSETS						
Cash Assets (Note 5)	250,460	2,814,943	2,047,618	47,946	-	5,160,968
Receivables (Note 6)	1,447,459	48,778,322	37,640,207	5,827,841	15,912,235	109,606,064
Reinsurance Recoveries (Note 6)	5,000	35,102,535	5,042,259	-	-	40,149,795
Non Reinsurance Recoveries (Note 6)	-	507,441	-	-	-	507,441
Provision for Doubtful Debts (Note 6)	-	(507,441)	-	-	-	(507,441)
Investments	1,540,000	19,337,000	29,105,000	-	-	49,982,000
	3,242,919	106,032,800	73,835,085	5,875,788	15,912,235	204,898,827
NON CURRENT ASSETS						
Reinsurance Recoveries (Note 6)	-	98,204,732	-	-	-	98,204,732
Provision for Doubtful Debts (Note 6)	-	-	-	-	-	-
	-	98,204,732	-	-	-	98,204,732
TOTAL ASSETS	3,242,919	204,237,532	73,835,085	5,875,788	15,912,235	303,103,559
CURRENT LIABILITIES						
Creditors and Accrued Expenses	134,564	5,029,262	7,141,456	530,622	1,443,549	14,279,453
Outstanding Claims (Note 10)	37,642	25,054,098	19,502,187	-	-	44,593,928
Unearned Contributions	1,297,515	39,972,471	32,896,854	5,345,169	14,468,685	93,980,695
Accrued Surplus Distributions	203,582	-	-	-	-	203,582
	1,673,302	70,055,831	59,540,498	5,875,791	15,912,235	153,057,659
NON CURRENT LIABILITIES						
Outstanding Claims (Note 10)	-	108,296,855	-	-	-	108,296,855
TOTAL LIABILITIES	1,673,302	178,352,686	59,540,498	5,875,791	15,912,235	261,354,514
NET ASSETS/(LIABILITIES)	1,569,617	25,884,846	14,294,588	(4)	-	41,749,045
MEMBERS EQUITY						
ACCUMULATED SURPLUS/(DEFICIT)	1,569,617	25,884,845	14,294,587	(4)	-	41,749,045

Notes to and forming part of the Financial Statements.

For the year ended 30th June 2016

5 CASH FLOWS	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2016						
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipt of contributions from members (including advance contributions & GST)	1,279,123	42,073,970	33,260,187	5,332,426	14,485,323	96,431,029
Receipt of Profit Share	-	-	-	-	-	-
Claims payments (net of recoveries)	(4,444)	(117,471)	(7,789,098)	(269,897)	-	(8,180,909)
Outward Reinsurance Payment	(1,237,181)	(31,105,258)	(15,093,880)	(3,550,072)	(14,593,853)	(65,580,244)
Payment of other expenses	(118,034)	(9,913,593)	(7,748,084)	(791,514)	108,531	(18,462,694)
Interest received	71,416	906,530	1,165,081	21,093	-	2,164,120
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	(9,120)	1,844,179	3,794,206	742,036	0	6,371,302
CASH FLOWS FROM FINANCING ACTIVITIES						
Surplus Distribution	(203,582)	(2,000,000)	(2,000,000)	-	-	(4,203,582)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(203,582)	(2,000,000)	(2,000,000)	-	-	(4,203,582)
NET CASH FLOWS	(212,702)	(155,821)	1,794,206	742,036	0	2,167,720
Cash at the beginning of the year	1,790,459	22,151,943	31,152,619	47,946	-	55,142,968
Net increase/(decrease) in cash	(212,702)	(155,821)	1,794,206	742,036	0	2,167,720
CASH AT THE END OF THE YEAR	1,577,758	21,996,122	32,946,825	789,983	0	57,310,688
2015						
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipt of contributions from members (including advance contributions & GST)	406,933	40,638,109	35,573,523	4,747,331	-	81,365,896
Receipt of Profit Share	-	1,896,008	-	-	-	1,896,008
Claims payments (net of recoveries)	(96,052)	(221,529)	(5,802,516)	-	-	(6,120,097)
Outward Reinsurance Payment	(350,000)	(33,571,733)	(16,446,592)	(5,230,003)	-	(55,598,328)
Payment of other expenses	(11,838)	(9,423,671)	(7,324,473)	530,618	-	(16,229,364)
Interest received	63,169	905,860	1,299,145	-	-	2,268,173
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	12,212	223,044	7,299,087	47,946	-	7,582,288
CASH FLOWS FROM FINANCING ACTIVITIES						
Surplus Distribution	-	(4,514,174)	(2,000,000)	-	-	(6,514,174)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	-	(4,514,174)	(2,000,000)	-	-	(6,514,174)
NET CASH FLOWS	12,211	(4,291,130)	5,299,087	47,946	-	1,068,114
Cash at the beginning of the year	1,778,247	26,443,073	25,853,532	-	-	54,074,854
Net increase/(decrease) in cash	12,211	(4,291,130)	5,299,087	47,946	-	1,068,114
CASH AT THE END OF THE YEAR	1,790,459	22,151,943	31,152,619	47,946	-	55,142,968

5 CASH FLOWS (continued)

	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2016						
RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR.						
Operating Result for the year	(65,529)	(528,237)	5,347,878	(562,865)	16,231	4,207,478
<i>Non-cash items:</i>						
Assistance to/from Councillors and Officers Scheme	-	(562,869)	-	562,869	-	-
<i>Movement in Operating Assets and Liabilities:</i>						
(Increase)/Decrease in Receivables	(38,783)	5,115,324	2,567,875	(337,724)	(337,612)	6,969,079
(Decrease)/Increase in Creditors & Accrued Expenses	8,343	48,023	(988,248)	(380)	25,643	(906,617)
(Increase)/Decrease in Accrued Profit Share Commission	-	-	-	-	-	-
Decrease/(Increase) in Reinsurance Recoveries	(92,000)	6,968,873	1,207,280	-	-	8,084,154
(Decrease)/Increase in Provisions for Doubtful Debts	-	-	-	-	-	-
(Decrease)/Increase in Outstanding Claims Provisions	134,075	(7,733,467)	(1,745,346)	1,333,234	-	(8,011,503)
(Decrease)/Increase in Unearned Contributions	44,774	(1,463,467)	(2,595,235)	(253,098)	295,738	(3,971,289)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(9,120)	1,844,180	3,794,205	742,036	0	6,371,302

2015

RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO OPERATING RESULT FOR THE YEAR.						
Operating Result for the year	93,750	4,578,617	3,771,615	(4)	-	8,443,978
<i>Non-cash items:</i>						
Assistance to/from Councillors and Officers Scheme	-	-	-	-	-	-
<i>Movement in Operating Assets and Liabilities:</i>						
(Increase)/Decrease in Receivables	(883,025)	739,136	2,393,944	(5,827,841)	(15,912,235)	(19,490,022)
(Decrease)/Increase in Creditors & Accrued Expenses	81,699	(248,974)	408,813	530,622	1,443,549	2,215,709
(Increase)/Decrease in Accrued Profit Share Commission	-	-	-	-	-	-
Decrease/(Increase) in Reinsurance Recoveries	195,000	(19,097,265)	(3,547,723)	-	-	(22,449,988)
(Decrease)/Increase in Provisions for Doubtful Debts	-	(400,000)	-	-	-	(400,000)
(Decrease)/Increase in Outstanding Claims Provisions	(283,084)	17,390,953	5,795,904	-	-	22,903,773
(Decrease)/Increase in Unearned Contributions	807,872	(2,739,422)	(1,523,468)	5,345,169	14,468,685	16,358,837
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,212	223,043	7,299,087	47,946	-	7,582,288

Notes to and forming part of the Financial Statements.

For the year ended 30th June 2016

6 RECEIVABLES	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2016						
Recoveries Outstanding	-	16,037	832,080	-	-	848,118
Accrued Interest	10,773	222,529	371,579	-	-	604,881
Prepayment	-	31,767	-	-	-	31,767
Prepayment GST	-	-	-	-	-	-
GST Debtors	-	123,139	39,991	4,452	-	167,582
Debtors Sundry	-	920,604	-	562,869	15,240	1,498,714
Debtors	1,475,470	42,348,920	33,828,681	5,598,244	16,234,607	99,485,922
	1,486,242	43,662,998	35,072,332	6,165,565	16,249,847	102,636,984
Non Reinsurance Recoveries - current	-	507,441	-	-	-	507,441
Reinsurance Recoveries - current	97,000	32,326,029	3,834,979	-	-	36,258,008
Reinsurance Recoveries - non-current	-	94,012,364	-	-	-	94,012,364
Provision for Doubtful Debts - current	-	(507,441)	-	-	-	(507,441)
Provision for Doubtful Debts - non-current	-	-	-	-	-	-
	1,583,242	170,001,391	38,907,311	6,165,565	16,249,847	232,907,356
2015						
Recoveries Outstanding	-	31,744	661,277	-	-	693,021
Accrued Interest	32,212	361,539	442,068	-	-	835,819
Prepayment	-	3,118,627	-	-	-	3,118,627
Prepayment GST	-	-	-	-	-	-
GST Debtors	0	120,122	12,456	-	-	132,578
Debtors Sundry	-	1,293,938	-	-	130,854	1,424,791
Debtors	1,415,247	43,852,353	36,524,405	5,827,841	15,781,381	103,401,227
	1,447,459	48,778,322	37,640,207	5,827,841	15,912,235	109,606,064
Non Reinsurance Recoveries - current	-	507,441	-	-	-	507,441
Reinsurance Recoveries - current	5,000	35,102,535	5,042,259	-	-	40,149,795
Reinsurance Recoveries - non-current	-	98,204,731	-	-	-	98,204,731
Provision for Doubtful Debts - current	-	(507,441)	-	-	-	(507,441)
Provision for Doubtful Debts - non-current	-	-	-	-	-	-
	1,452,459	182,085,588	42,682,466	5,827,841	15,912,235	247,960,590

7 CLAIMS EXPENSE

	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2016						
Net Claims Paid	4,445	487,787	7,761,562	265,445	-	8,519,238
Claims outstanding at beginning of year	(37,642)	(133,350,953)	(19,502,187)	-	-	(152,890,782)
Claims outstanding at end of year	171,718	125,617,487	17,756,841	1,333,234	-	144,879,281
Recoveries outstanding at beginning of year	-	31,744	661,277	-	-	693,021
Recoveries outstanding at end of year	-	(16,037)	(832,080)	-	-	(848,118)
Reinsurance Recoveries at beginning of year	5,000	133,307,266	5,042,259	-	-	138,354,525
Less Reinsurance Recoveries at end of year	(97,000)	(126,338,393)	(3,834,979)	-	-	(130,270,372)
Non Reinsurance Recoveries at beginning of year	-	507,441	-	-	-	507,441
Non Reinsurance Recoveries at end of year	-	(507,441)	-	-	-	(507,441)
Doubtful Debts at beginning of year	-	-	-	-	-	-
Doubtful Debts at end of year	-	-	-	-	-	-
	46,520	(261,100)	7,052,694	1,598,679	-	8,436,793
2015						
Net Claims Paid	96,068	125,179	5,798,734	-	-	6,019,981
Claims outstanding at beginning of year	(320,727)	(115,960,000)	(13,706,283)	-	-	(129,987,010)
Claims outstanding at end of year	37,642	133,350,953	19,502,187	-	-	152,890,782
Recoveries outstanding at beginning of year	-	80,844	768,566	-	-	849,410
Recoveries outstanding at end of year	-	(31,744)	(661,277)	-	-	(693,021)
Reinsurance Recoveries at beginning of year	200,000	114,210,000	1,494,536	-	-	115,904,536
Less Reinsurance Recoveries at end of year	(5,000)	(133,307,266)	(5,042,259)	-	-	(138,354,525)
Non Reinsurance Recoveries at beginning of year	-	507,441	-	-	-	507,441
Non Reinsurance Recoveries at end of year	-	(507,441)	-	-	-	(507,441)
Doubtful Debts at beginning of year	-	(400,000)	-	-	-	(400,000)
Doubtful Debts at end of year	-	-	-	-	-	-
	7,983	(1,932,034)	8,154,204	-	-	6,230,153

Notes to and forming part of the Financial Statements.

For the year ended 30th June 2016

8 EXPENSES	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2016						
<i>Other Scheme Expenses</i>						
Scheme Administration Fees	114,273	7,003,328	5,731,575	791,452	-	13,640,628
<i>General Expenses</i>						
Actuarial Fees	-	64,739	-	-	-	64,739
Auditors Fees	7,625	59,584	7,517	5,000	-	79,726
Bank Charges	-	371	113	61	-	545
Board of Management Expenses	-	105,841	-	-	-	105,841
General Expenses	2	353,577	-	20,000	-	373,579
Insurance	-	13,875	-	-	-	13,875
Legal Expenses	-	11,231	-	-	-	11,231
Marketing and Communication Expenses	-	162,626	100,000	-	-	262,626
Risk Management Expenses	-	1,770,053	700,000	-	-	2,470,053
Property Valuation Fees	-	-	495,000	-	-	495,000
	7,627	2,541,897	1,302,630	25,061	-	3,877,215
	121,900	9,545,225	7,034,205	816,514	-	17,517,842
2015						
<i>Other Scheme Expenses</i>						
Scheme Administration Fees	90,000	6,841,345	5,778,440	-	-	12,709,785
<i>General Expenses</i>						
Actuarial Fees	-	65,841	-	-	-	65,841
Auditors Fees	3,533	44,954	14,369	-	-	62,856
Bank Charges	5	1,081	479	4	-	1,569
Board of Management Expenses	-	58,734	-	-	-	58,734
General Expenses	-	301,986	(10,000)	-	-	291,986
Insurance	-	13,875	-	-	-	13,875
Legal Expenses	-	2,000	-	-	-	2,000
Marketing and Communication Expenses	-	192,392	120,000	-	-	312,392
Risk Management Expenses	-	1,652,489	1,150,000	-	-	2,802,489
Property Valuation Fees	-	-	680,000	-	-	680,000
	3,538	2,333,351	1,954,848	4	-	4,291,741
	93,538	9,174,696	7,733,288	4	-	17,001,526

9 AUDITORS REMUNERATION

2016

Audit Services: Audit of Financial Report	7,625	59,584	7,517	5,000	-	79,726
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2015

Audit Services: Audit of Financial Report	3,533	44,954	14,369	-	-	62,856
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Auditors' remuneration for the Councillors and Officers Scheme in 2015 and Motor Vehicle Scheme in 2016 and 2015 were borne by the Liability Scheme and were not recharged.

10 OUTSTANDING CLAIMS	Crime Fund \$	Liability Fund \$	Property Fund \$	Councillors and Officers Fund \$	Motor Vehicle Fund \$	Total \$
2016						
Reported Claims Outstanding	171,718	37,271,441	16,346,841	56,843	-	53,846,843
Provision for claims incurred but not reported, claims development, prudential margin and claims settlement costs	-	95,756,046	1,410,000	862,629	-	98,028,676
Discount to present value	-	(7,410,000)	-	413,762	-	(6,996,238)
	171,718	125,617,487	17,756,841	1,333,234	-	144,879,281
Comprising						
Current Liabilities	171,718	23,846,089	17,756,841	1,333,234	-	43,107,882
Non-Current Liabilities	-	101,771,399	-	-	-	101,771,399
	171,718	125,617,488	17,756,841	1,333,234	-	144,879,281
2015						
Reported Claims Outstanding	37,642	55,841,098	17,902,187	-	-	73,780,928
Provision for claims incurred but not reported, claims development, prudential margin and claims settlement costs	-	88,853,083	1,600,000	-	-	90,453,083
Discount to present value	-	(11,343,228)	-	-	-	(11,343,228)
	37,642	133,350,953	19,502,187	-	-	152,890,783
Comprising						
Current Liabilities	37,642	25,054,098	19,502,187	-	-	44,593,928
Non-Current Liabilities	-	108,296,855	-	-	-	108,296,855
	37,642	133,350,953	19,502,187	-	-	152,890,783

The Actuarial assumptions with respect to the Liability Fund are:

(a) The average term to settlement of outstanding claims is 2016: 3.56 years (2015: 3.49 years)

(b) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims

Inflation Rate	2016 2017 and beyond	2.50 to 3.50% 2.50 to 4.00%	2015 2016 and beyond	2.50 to 3.50% 2.50 to 4.00%
Superimposed Inflation Professional Indemnity		0.00%		0.00%
Superimposed Inflation Personal Injury		0.00%		0.00%
Discount Rate Range	2016 2017 and beyond	1.60% 1.50 to 3.40%	2015 2016 and beyond	2.00% 2.00 to 4.50%

The Actuarial assumptions with respect to the Councillors and Officers Fund are:

(a) The average term to settlement of outstanding claims is 2016: 1.68 years (2015: - years)

(b) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims 2016 was the first valuation year and therefore comparative information is not applicable.

Inflation Rate	2016 2017 and beyond	3.50% 3.50 to 4.00%
Superimposed Inflation Professional Indemnity		0.00%
Superimposed Inflation Personal Injury		0.00%
Discount Rate Range	2016 2017 and beyond	1.60% 1.50 to 3.40%

11 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.

12 EVENTS SUBSEQUENT TO REPORTING DATE

No other matter has arisen in the opinion of the directors of Statewide Mutual, to significantly adversely affect the operations of Statewide Mutual, the results of those operations, or the state of affairs of Statewide Mutual in future financial years.



Coastline near Vaucluse - Sydney, NSW

Certificate by Chairman and Finance Committee Chairman.

In our opinion, the accompanying financial statements of Statewide Mutual comprising the Statement of Financial Position, Statement of Financial Performance, Statements of Cash Flows and accompanying notes as set out on pages 17 to 31:

- (a) presents fairly the financial position of Statewide Mutual as at 30 June 2016 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 9 December 2016.



BILL WARNE
Chairman of Board of Management



ROSS MCCREANOR
Chairman of Finance Committee

Independent audit report.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF STATEWIDE MUTUAL Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Statewide Mutual, which comprises the Statement of Financial Position as at 30 June 2016, and the Statement of Financial Performance, and Statement of Cash Flows for the year ended on that date, Notes 1 to 12 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") is responsible for the preparation and fair presentation of the special purpose financial report and has 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 determines 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 Statewide Mutual's 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 Statewide Mutual's 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 Statewide Mutual'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 Statewide Mutual as of 30 June 2016 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 Statewide Mutual 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 Statewide Mutual and its members and should not be distributed to or used by parties other than Statewide Mutual 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 the members of Statewide Mutual or for any other purpose than that for which it was prepared.



KPMG

Sydney, 9 December 2016



**statewide
mutual.**

Naamon Eurell

Executive Officer | Statewide Mutual

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