

## Update on Principal Arranged Insurance

### Background

Under the RMCC councils will be covered under RTA's principal arranged insurance (PAI) scheme for contract works and public and product liability insurance.

### Why PAI is a precondition of involvement in RMCCs

There are four main reasons why RTA has adopted PAI for the new RMCC arrangements, namely:

- **Partnership** – All parties to the contract are covered under one insurance policy (i.e. RTA, council and subcontractor of every tier involved in the contract). Therefore, PAI eliminates all cross liability issues and encourages collaboration in claims management.
- **Uniform approach** – There is one point of insurance cover, claims management and insurable risk benchmarking that is consistent, thorough and defensible as it is transparent to all parties.
- **Customer Service** – An independent and pro active response to the community for notified claims.
- **Value** – The RTA has proven experience since 2001 regarding the effectiveness and financial value in premium costs and effective claims management plus the surety that the PAI insurers are both NSW Treasury and APRA approved.

### Feedback and RTA response

Workshops introducing the new RMCC arrangement have now been completed across the State. Councils raised some concerns at these workshops and RTA has also separately learnt of additional concerns and misunderstandings about PAI.

In respect of RMCC Services RTA confirms that:

- RTA pays the PAI premium not council.
- RTA will reimburse any insurance excess paid by council in relation to a claim under the PAI, including claims valued at below the excess limit which would otherwise be covered by the PAI.
- Two new insurance related Key Performance Measures have been incorporated into the contract to monitor the value and number of claims.
- Council should notify the RTA Contract Manager of RMCC related claims and provide all relevant supporting documentation.
- Claims will be managed by independent claims management company – Claims Management Australia (CMA).

RTA has amended the contract where necessary to reflect the above points.

### Clarification of contractor arranged insurance

RMCC Newsletter No 2 (11 August 2008) discussed possible risks associated with relying upon contractor arranged insurance. These comments were intended to be general in nature and reflect the RTA's overall experience in contractor insurance. RTA did not intend any specific criticism toward the performance or professionalism of any specific insurance provider engaged by council, nor did the RTA suggest that the insurances related to maintenance works were not fully comprehensive and fit for purpose as required by the *Local Government Act 1993*.

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