



Queensland Local Government Mutual

Trust Deed and Scheme Rules

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QUEENSLAND LOCAL GOVERNMENT MUTUAL - TRUST DEED AND SCHEME RULES

Purpose of LGM

Queensland Local Government Mutual ('LGM') provides a pooled fund and a scheme to:

- manage liability and professional indemnity risks of LGAQ members which may arise in connection with the members' exercise of their powers, duties or functions
- manage asset loss.

Governance

LGM is governed by a Trust Deed and Scheme Rules.

Trust Deed

LGM is a trust (the 'Pool') created by a Trust Deed.

Under the Trust Deed, LGAQ is the trustee of the Pool and the Pool is to be applied for the benefit of members.

Scheme Rules

The Scheme Rules set out the mechanisms for the administration of the Pool, including:

- admission to membership and renewal of membership
- members' obligations
- commencement and closure of fund years
- determining a member's contributions
- claims protection for members
- issuing and amending Liability Wording and Asset Wording (documents that set out the risks covered by the relevant Fund and the terms, conditions and limits of cover in respect of those risks)
- claims procedures
- payment of claims
- member default and cancellation of membership

Fund

The Trust Deed creates two separate funds (collectively the 'Fund') to meet the costs of establishing and running the Pool, the losses and liabilities of members and the costs of indemnity cover:

- a Liability Fund in relation to the civil liability of members of the Liability Fund
- an Asset Fund in relation to asset loss of members of the Asset Fund.

A local government may become a member of the Liability Fund or the Asset Fund, or both.

Member's contributions are paid into the relevant Fund together with all other income earned in relation to operating the Fund during the year (e.g. from investments).

Membership

Admission to membership is governed by the Scheme Rules.

Membership may be offered to:

- all Queensland local governments
- joint local government entities
- particular entities specified in the Scheme Rules which were constituted under previous local government legislation, e.g. a joint local government, and continue in existence
- another body having a direct involvement with local government and having generally similar exposure to claims as a local government.

Members are bound by the Trust Deed, Scheme Rules and the Liability Wording and/or Asset Wording. Indemnity may be denied if a member does not comply with its obligations under these documents.

Members (including former members) must keep confidential information provided to them by LGAQ, the Board, or the Pool Manager, confidential, including maintaining effective security measures to protect the confidentiality of such information.

A Member may withdraw from membership of the Pool, or from an individual Fund, only at the expiry of a Fund year by giving not less than 90 days prior notice in writing to LGAQ.

Management

LGAQ

LGAQ is the trustee of the Pool and the Fund, and is broadly responsible for:

- carrying into effect the objects and purpose of the Trust Deed
- carrying out the duties of the trustee specified in the Trust Deed
- holding the Fund on the trusts set out in the Trust Deed.

The Trust Deed provides for some functions to be carried out by the Pool's Board of Management and the Pool Manager.

Board of Management

The business of the Pool is managed by a Board of Management. The Trust Deed specifies who is eligible for appointment as a member of the Board.

The Board's role is to:

- achieve and implement the objects and purpose of the Pool
- ensure, from a financial perspective, that the Fund is viable
- prepare the rules of the Pool and other documents governing the entitlements and obligations of members,

which includes:

- soliciting and encouraging local governments to become and remain members of the Pool
- considering claims made against the Fund and determining whether to grant indemnity from the pooled cover and issuing instructions to the Pool Manager
- claims prevention activities such as giving directions to members about procedures they can adopt to prevent asset loss or minimise civil liability
- engaging a manager of the Pool

- determining the contributions payable by the members.

Pool Manager

JLT Risk Solutions Pty Ltd ('JLT'), a licensed insurance broker and manager, has been appointed to manage the Pool.

JLT's role includes:

- making recommendations to the Board in relation to the annual operating budget, the calculation of contributions, the level of pooled cover to be provided each year and the level of indemnity cover to be provided each year
- negotiating indemnity cover
- managing all claims against members for which indemnity has been granted
- providing loss prevention and risk minimisation guidelines
- keeping the accounts of the Fund
- reporting to the Board.

Auditor

The accounts of the Fund are audited annually.

The auditor prepares a report stating whether, in the auditor's opinion, the accounting records have been kept in accordance with generally accepted accounting principles. If the auditor is not satisfied with the accounting records, the report must state the auditor's reasons for not being satisfied with them.

This report is included in the Board's annual report on performance of each Fund and a copy of the annual report must be given to each member.

Product Disclosure Statement (PDS)

Under the *Corporations Act*, the Pool is considered to be a managed investment scheme that provides discretionary risk protection to its members. Accordingly, LGAQ is required to provide new members with a Product Disclosure Statement (**PDS**) that meets the content requirements of the *Corporations Act 2001* (Cwlth), chapter 7, part 7.9, division 2, subdivision C, and, in particular, sections 1013C to 1013E, subject to sections 1013F and 1013FA.

The PDS tells a potential member about the Pool, the Asset Fund, and the Liability Fund, and to help the potential member decide whether to become a member of either the Asset Fund, the Liability Fund or both.