

Committee:	Executive	Agenda Item No.:	10.
Date:	1st November 2010	Status	Open
Category	3. Part of the Budget and Policy Framework		
Subject:	Renewal of Insurance Policies 2010		
Report by:	Senior Technical Officer		
Other Officers Involved	Director of Resources Head of Finance & Revenues		
Director	Director of Resources		
Relevant Portfolio Holder	Councillor A. Hodkin, Portfolio Holder for Resources and Efficiency Champion.		

### **RELEVANT CORPORATE AIMS**

STRATEGIC ORGANISATIONAL DEVELOPMENT – Continually improving the efficiency and effectiveness of Council services by demonstrating value for money by reviewing the current basis of risk transfer arrangements whilst maintaining sound financial management.

### **TARGETS**

To review the entire insurance portfolio with the current insurer, whilst endeavouring to retain a Long Term Agreement (LTA) to improve the effectiveness and efficiency of the renewal process. This enabled the Council to maintain LTA and package discounts and obtain competitive renewal terms, therefore contributing towards the Council's efficiency gains targets.

### **VALUE FOR MONEY**

Obtain competitive renewal terms for all of the Council's insurance policies following significant insurance claims, during a period where the insurance market is experiencing rising costs.

## **THE REPORT**

### **Purpose of the Report**

The Council's insurance policies were due for annual renewal on 1<sup>st</sup> October 2010. This report is to inform Members of the outcome of the recent insurance renewal process carried out under powers delegated to the Director of Resources, in consultation with the Chief Executive Officer, Leader and Deputy Leader and the Chair and Vice Chair of Scrutiny Committee.

## **Delegated Powers**

The Council has granted delegated powers to the Director of Resources to renew the Council's insurance cover, in order to obtain the most economically advantageous outcome, (Standing Orders have been waived in accordance with 4.8.2.(3) and 4.8.2 (4)). This report outlines the actions of the Director of Resources.

## **Background**

The principal insurance contracts are insured with Travelers Insurance Company. The engineering inspection, contractors plant insurance and vehicle uninsured loss recovery agent are with Allianz and MAPS respectively.

These contracts were awarded following a tendering exercise in 2006 and expire in September 2011.

The principal insurance policies are subject to a £20,000 excess each and every claim. The exceptions are vehicles (and Council tools contained within) which are subject to a £250 excess, engineering plant having £10,000, leasehold flats having a nil excess except subsidence claims where £2,500 applies, and a £50,000 excess in respect of the flood peril at Pleasley Vale site.

## **ISSUES/OPTIONS FOR CONSIDERATION**

### **Renewal Outcome Summary**

The following summarises the outcome of the 2010 renewal process:

- Renewed principal insurance policies with Travelers which includes a total of 6 (3 x liability and 3 x property) free risk management consultancy days.
- Property – Due to the previous years loss experience the premium rating has increased by 17%, although the sum insured figures decreased due to rebuild costs reducing by 6.8%.
- Casualty – (EL / PL / PI / OI / FG) – These policy premiums are dependent upon declared salary figures, which has reduced by 7%. Figures include an additional premium cost for Apprentices to be directly charged to the grant funded budget.
- Vehicles – Due to previous years loss ratio increasing the premium rating has increased by 5%, together with additional vehicle numbers due to mobile working, giving an overall increase of 9%.
- A profit share rebate of £21,989 (+ Insurance Premium Tax) is due; calculated on a sliding scale to reflect the loss ratio (premiums to claims) for the period 2007/08. No profit will be available in 2011 due the claim for Kissington L C fire in 2008.
- No change to excess levels or policy terms and conditions.
- Claims handling fee of £6,500 waived by the insurer.
- Overall premium savings is £17,860 (including IPT).
- Total savings including premiums and brokering services is £22,560.

## Conclusion & Costs

The following comparison table shows premiums by category and compares with 2009/10:

	2009/2010 £	2010/2011 £	Variance £
<b>Vehicles</b>			
➤ Fleet	70,804	78,380	7,576
➤ Lease Cars	16,062	16,338	276
➤ Vehicle Accumulation policy	4,883	5,770	887
➤ MAPS Recovery Loss Agent	741	768	27
<b>Total Vehicles premiums</b>	<b>92,491</b>	<b>101,257</b>	<b>8,766</b>
<b>Casualty</b>			
➤ Public liability / Libel & Slander	43,678	40,965	(2,713)
➤ Employers liability	70,978	66,568	(4,409)
➤ Officials indemnity / Land Charges	8,758	7,674	(1,084)
➤ Professional Indemnity	1,943	1,973	30
<b>Total Casualty premiums</b>	<b>125,357</b>	<b>117,181</b>	<b>(8,176)</b>
<b>Property</b>			
➤ Housing Stock	66,414	75,065	8,651
➤ Leased Flats	1,787	2,073	286
➤ General Properties	18,073	19,815	1,742
➤ Play Areas	923	1,128	205
➤ Contents	3,191	3,140	(51)
➤ Car Parks	806	942	137
➤ Work In Progress	3,448	2,733	(715)
➤ Business Interruption	2,327	2,613	286
➤ All Risks	1,073	1,188	115
➤ Money	324	324	0
➤ Council Tools (in vehicles)	533	609	76
➤ Pleasley Vale B P Mills	4,065	4,741	676
➤ Pleasley Vale B P Lodges	322	350	28
<b>Total Property premiums</b>	<b>103,286</b>	<b>114,722</b>	<b>11,436</b>
<b>Minor Classes</b>			
➤ Fidelity Guarantee	2,204	2,067	(137)
➤ Computer	4,012	4,022	10
➤ Engineering (plant & inspection)	7,942	7,199	(743)
<b>Total Minor premiums</b>	<b>14,158</b>	<b>13,288</b>	<b>(870)</b>
Claims Handling	6,500	0	(6,500)
Less profit share	0	(21,989)	(21,989)
I.P.T. @ 5%	16,415	15,887	(528)
<b>Total</b>	<b>358,207</b>	<b>340,346</b>	<b>(17,860)</b>

	2009/2010 £	2010/2011 £	Variance £
<b>Total to Travelers</b>	<b>349,439</b>	<b>332,318</b>	<b>(17,121)</b>
<b>Total to MAPS- Motor Loss Recovery</b>	<b>778</b>	<b>807</b>	<b>29</b>
<b>Total to Allianz - Engineering Policies</b>	<b>7,990</b>	<b>7,222</b>	<b>(768)</b>

### Specialist Advice / Brokering

Consultancy and Brokering services were reviewed in March 2010 with savings being found when testing the market. The annual cost for the 2011 tendering process will be £4,800.

### Reserves & Provisions

At 1<sup>st</sup> April 2010, the opening balances for the Insurance Provision was £184,879 and the Reserve was £137,731 before any scheduled contribution. The average withdrawals were £86,859 and £28,648 respectively. Annual contributions of £100,000 to the Provision and £10,000 to the Reserve are budgeted for in the Medium Term Financial Plan to fund claims below the excess and finance any uninsured losses.

### IMPLICATIONS

Financial:

1. The overall annual cost is £455,147, spanning two financial years as this figure is based on the insurance year, 1<sup>st</sup> October 2010 to 30<sup>th</sup> September 2011. The following table shows and compares with 2009:

	2009 Costs £	2010 Costs £
Premiums (net of IPT )	341,792	324,460
IPT @ 5%	16,415	15,887
Provision Contribution	100,000	100,000
Reserve Contribution	10,000	10,000
Consultancy / Brokering	9,500	4,800
<b>Total</b>	<b>477,707</b>	<b>455,147</b>

2. It was announced during the Chancellor's budget that as of the 4<sup>th</sup> January 2011 Insurance Premium Tax (IPT) will increase from 5% to 6%. This will impact on 2011/12 insurance renewal cost.

Legal: The Leader and Deputy Leader were consulted in accordance with the delegation. The delegation requires consultation with the Chair and Vice Chair of Scrutiny. In view of the changes to the arrangements to Scrutiny Committee, this consultation was carried out with the Chair and Vice Chair of Scrutiny Management Board.

Human Resources: None

**RECOMMENDATION**

That the action of the Director of Resources under delegated powers be noted.

**REASON FOR DECISION TO BE GIVEN IN ACCORDANCE WITH THE CONSTITUTION**

The Council has assessed value for money, quality and service issues, and selected the option financially beneficial to the Council.

ATTACHMENTS:           **N/A**  
FILE REFERENCE:       ***Held by Senior Technical Officer***  
SOURCE DOCUMENT:   **N/A**