

Bolsover District Council

Consultation Report for a Delegated Decision

Decision Maker: Assistant Director of Finance and Resources

Date of Decision: 29 September 2021

Insurance Portfolio Renewal 2021/22
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Classification: This report is public

Report By: Assistant Director of Finance & Resources
Senior Technical Officer

Contact Officer: as above

PURPOSE/SUMMARY

- This report is to inform Members of the outcome of the annual insurance renewal process within the Long Term Agreement (LTA) which has been conducted under powers delegated to the Section 151 Officer.
- In order to meet insurance renewal timescales the Council has previously granted delegated powers, as per above, to enable renewal of the Council's insurance policies from the 1st October 2021.
- The Authority's insurance policies were subject to tender on 1st October 2019 and a LTA was awarded for a period of 3 years plus an option to extend for a further 2 years.
- All insurance policies were maintained with the existing insurer, Zurich Municipal, and the engineering inspection contract held by British Engineering Services.

RECOMMENDATIONS

1. That the action of the Section 151 Officer, acting under delegated powers to secure the Council's insurance policies within the framework established by continuing the current Long Term Agreement outlined in the report, be noted.
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IMPLICATIONS

Finance and Risk: Yes No

The cost to cover insurance and risk is £344,487 for the year, 1st October 2021 to 30th September 2022. This sum includes the current contributions to the insurance reserves made by the Council each year, the cost of the insurance brokerage services and NEDDC recharges. The following table details the position, comparing these against the previous year -

INSURANCE COSTS SUMMARY	2020/21 Costs £	2021/22 Costs £
Premiums (Including Insurance Premium Tax @ 12%)	246,353	267,122
Reserve Contribution (General Fund)	30,000	20,000
Reserve Contribution (HRA)	40,000	50,000
Consultancy / Brokering	3,500	3,500
NEDDC Insurance ENV Recharges	3,833	3,865
Grand Total	323,686	344,487

Risk

Effective Council insurance arrangements are crucial if we are to safeguard against financial losses and maintain financial security. Lack of policy coverage would result in having to fund claims with no excess ceiling for protection.

Without adequate insurance cover, business operations could be adversely effected following significant losses; and it also avoids reputational damage by awarding independently assessed compensation to claimants.

On Behalf of the Section 151 Officer

Legal (including Data Protection): Yes No

There are no legal issues arising directly from this report.

On Behalf of the Solicitor to the Council

Staffing: Yes No

There are no staffing issues arising directly from this report.

On Behalf of the Head of Paid Service

DECISION INFORMATION

Decision Information	
Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input checked="" type="checkbox"/> Capital - £150,000 <input type="checkbox"/> NEDDC: Revenue - £100,000 <input type="checkbox"/> Capital - £250,000 <input type="checkbox"/> <input checked="" type="checkbox"/> <i>Please indicate which threshold applies</i>	Yes
Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)	No – call-in was waived to allow for the decision to be implemented immediately
District Wards Significantly Affected	None
Consultation: Leader / Deputy Leader <input type="checkbox"/> Cabinet / Executive <input type="checkbox"/> SAMT <input type="checkbox"/> Relevant Service Manager <input type="checkbox"/> Members <input type="checkbox"/> Public <input type="checkbox"/> Other <input type="checkbox"/>	Yes Details: Portfolio Holder and Chair of Audit and Corporate Overview Scrutiny Committee

REPORT DETAILS

1 Background

- 1.1 Annual insurance renewals are undertaken to update all sums insured and revise individual policy content. Checks are undertaken to ensure the policy coverage, perils and endorsements still meet the needs of the Council. These can impact on the insurance premiums.
- 1.2 Insurer terms, in respect of the casualty and motor policies, can include an inflationary rate increase, in line with Average Weekly Earnings (AWE), which was 4.5% at the time of renewal. These policy increases do not breach the Long Term Agreement (LTA). At the 2020 renewal, some of the inflationary increases were waived, but have been applied at this 2021 renewal.
- 1.3 Premiums across all policies, including property will also increase or decrease to reflect the base sum insured, following reviewed figures declared each year.

- 1.4 Additional factors, such as risk profile and exposure, external market conditions as well as the Council's own claims experience and/or high loss ratio can also have an impact on insurer rates, creating further increases and potentially, breaches of the LTA.
- 1.5 For the current 2021 renewal terms, technically our insurer breached the LTA on the Council's property policies, by applying higher rates due to continuing pressures across the market relating to increased material building costs, labour shortages and the Council's own property claims experience. However, these are not unreasonable rates.
- 1.6 Despite these increases the Council is still being offered very reasonable and realistic property rates and premiums, within a competitive overall insurance portfolio package. Our broker considers that we have a favourable result especially in the current climate when the cost of reinsurance and claims inflation is running at over 10%, within a hardening insurance market.

Policy Adjustments

- 1.7 Insurance premiums are predominately based on factors including sums insured movement, excess levels, claims experience, risk exposure, market fluctuations, geographical area, insured perils and level of activity.
- 1.8 Property policy ratings increased due to escalating building costs and several house fire claims, but were also contributed to by revised sum insured figures when compared against the position as at the 2020 renewal, in the following areas –
 - Housing properties, sum insured increased by 1.1%.
 - Leasehold flats, sum insured increased by 2.6%.
 - General properties, sum insured increased by 2.8%.
 - All Risks, sum insured increased by 14%.
 - Work In Progress, sum insured figure increased by 25%.
- 1.9 Casualty policies are based on the declared wages figure, which has increased by 3.3% on the previous year, with an additional 4.5% AWE (average weekly earnings) applied by the insurer.
- 1.10 Motor policy capturing all fleet vehicles, mowers and trailers has undergone a premium rating review due to higher exposure since acquiring additional refuse vehicles from Wards Recycling. AWE has also been applied.
- 1.11 Since the 2020 renewal there were mid-term / annual adjustment payments of £3,182 relating to recycling refuse vehicles being added to the motor policy and changes to the engineering inspection schedule where items from group dwellings have been removed, and equipment used by Grounds Maintenance have been added.

Premium Comparisons

1.12 The following comparison table shows premiums by element of the Council's insurance policies and compares against the 2020/21 cost:

	2020/2021 £	2021/2022 £	Variance £
Vehicles			
➤ Fleet (Including Grey fleet contingency)*	80,010	83,563	3,553
➤ Vehicle Accumulation	1,008	1,171	163
Total Vehicle premiums	81,018	84,734	3,716
Casualty			
➤ Public Liability	42,294	45,644	3,350
➤ Libel & Slander	689	710	21
➤ Employers Liability	20,018	21,603	1,585
➤ Officials Indemnity	2,183	2,345	162
➤ Land Charges	1,663	1,738	75
➤ Public Health Act	317	340	23
➤ Professional Indemnity	4,737	4,879	142
Total Casualty premiums	71,901	77,259	5,358
Property			
➤ Housing Stock	31,844	37,660	5,816
➤ Leased Flats	995	1,123	128
➤ General Properties	5,722	6,613	891
➤ Play Areas	128	141	13
➤ Contents (General & Theft)	1,054	1,193	139
➤ Car Parks	22	24	2
➤ Work In Progress	1,953	2,703	750
➤ Business Interruption	2,184	2,278	94
➤ All Risks	1,272	1,700	428
➤ Money	152	191	39
➤ Council Tools (in vehicles)	1,700	1,842	142
➤ Pleasley Vale B P Mills	2,530	2,783	253
➤ Pleasley Vale B P Lodges	62	70	8
Total Property premiums	49,618	58,321	8,703

	2020/2021	2021/2022	Variance
	£	£	£
Minor Classes			
➤ Full Crime (+ Fidelity Guarantee)	5,193	5,368	175
➤ Computer	3,478	4,127	649
➤ Engineering Inspection *	9,520	9,456	(64)
➤ Hired Plant	250	250	0
Total Minor premiums	18,441	19,201	760
Sub Total (excluding Insurance Premium Tax)	220,978	239,515	18,537
Insurance Premium Tax @ 12%	25,375	27,607	2,232
Total overall premium costs	246,353	267,122	20,769

* Includes mid-term & annual adjustments

Brokering / NEDDC Recharges

- 1.13 Specialist ongoing advice / brokering / renewal input cost is £3,500 for 2021/22.
- 1.14 As NEDDC host the Environmental Health service and the liabilities relating to the service are insured by NEDDC, a recharge to BDC is made each year and is an indirect insurance cost. This recharge cost for 2021/22 is £3,865.

Reserves / Excess

- 1.15 The Council's excess arrangements across its policy portfolio are to secure cost effective cover and to provide it with an incentive to minimise risk. It is important that adequate financial provision is provided to meet those costs below the agreed excesses together with uninsured losses.
- 1.16 In order to meet such costs the Council has established insurance reserves for general fund (GF) and the housing revenue account (HRA). These are reviewed on an annual basis to ensure they remain at an appropriate level with the contributions into the reserve increased or reduced as necessary. Annual contributions of £20,000 to the GF Reserve and £50,000 to the HRA Reserve have been previously agreed.
- 1.17 At 1st April 2021 the withdrawals were £49,169 from the GF Insurance Reserve and £29,972 from the HRA Insurance Reserve.

2. Reasons for Recommendation

- 2.1 The Council followed European (OJEU) procurement rules to fully test the insurance market in 2019. The Council's insurance broker supported the insurance portfolio tendering exercise, and we awarded a 3 year LTA (with a 2

year option to extend). Continuing with the Long Term Agreement is the most financially viable option even taking into consideration recent increases.

3. **Alternative Options and Reasons for Rejection**

3.1 There are no alternative options for consideration.

DOCUMENT INFORMATION

Appendix No	Title
Background Papers	