

REPORT TO: FINANCE COMMITTEE - 9 MAY 2005

REPORT ON: INSURANCE AND RISK MANAGEMENT PROGRAMME 2005/06

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 308-2005

1 PURPOSE OF REPORT

This report provides an overview of the proposed insured/self-insured and risk management arrangements for the financial year 2005/06.

2 RECOMMENDATIONS

It is recommended the Committee:

- 1 ratifies the Insurance programme, self-funding and claims handling procedures for the 2005/06 financial year as detailed in this report.
- 2 notes the significant savings generated for each of the next 5 financial years.
- 3 ratifies the extension to the Council's Fire Insurance arrangements.
- 4 notes the change in future renewal date to 31 December annually.

3 FINANCIAL IMPLICATIONS

The financial implications of the 2005/06 insured and self-insured programme are set out below:

| Class of Insurance | Insurers | Net | Insurance Fund | Estimated |
|---------------------|----------------------|------------------|------------------|------------------|
| | | Premium | Deposit for | Total Cost |
| | | £ | Self-Insured | £ |
| | | | Losses | |
| | | | £ | |
| Property | Zurich Municipal | 1,124,150 | 900,000 | 2,024,150 |
| Liabilities | Zurich Municipal/AIG | 281,200 | 600,000 | 881,200 |
| Motor | Royal Sun Alliance | 110,670 | 200,000 | 310,670 |
| Accident Inspection | John Davidson | 6,000 | - | 6,000 |
| Personal Accident | AIG/Various | 41,150 | - | 41,150 |
| Miscellaneous | Various | 74,850 | - | 74,850 |
| Broker Fees | Willis | 5,000 | - | 5,000 |
| Risk Management | - | - | <u>180,000</u> | <u>180,000</u> |
| | | <u>1,643,020</u> | <u>1,880,000</u> | <u>3,523,020</u> |

The net effect of the foregoing will be that the 2005/06 insurance and risk management programme has been negotiated within the provision contained in the approved 2005/2006 Revenue Budget. The overall level of savings generated over the next five years through the recent Tender process are estimated to be £1m.

4 LOCAL AGENDA 21 IMPLICATIONS

None.

5 EQUAL OPPORTUNITIES IMPLICATIONS

None.

6 BACKGROUND

The Council's Liability, Motor, Personal Accident and Engineering Insurances were all subject to competitive Tender process. There remains little competition in the Local Government Insurance Market but alternative quotations were received, thereby ensuring continuing adherence to Best Value principles. A summary of the responses is included within the Appendix to this report. The scope of the tender exercise included reference to the London market (Lloyds) in conjunction with the Council's consultant Willis.

During the course of renewal discussions the opportunity to extend the existing Fire Insurance long term arrangement was offered by Insurers. In view of the continuing difficulty the Council has in securing Fire Insurance following combined fire losses of £25m in 2001 (Morgan Academy and TDI) and the annual saving offered of £175,000, the option to extend the existing arrangement for a further four years was exercised.

To help ensure future cost accuracy, the opportunity was taken to amend the Council's principal renewal date to 31 December annually.

7 CONSULTATION

The Chief Executive and the Depute Chief Executive (Support Services) have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

None.

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

28 APRIL 2005

SUMMARY OF INSURANCE TENDERS

| | | |
|----------|----------------------------------------------------------------------|----------|
| a | Main Liability Insurances (Employers and Public Liability) | |
| | Zurich Municipal | £172,725 |
| | Risk Management Partners | £262,000 |
| b | Motor Insurance | |
| | Royal Insurance | £110,670 |
| | Risk Management Partners | £125,472 |
| c | Personal Accident Insurance | |
| | AIG | £41,150 |
| | Zurich Municipal | £47,756 |
| | Royal Sun Alliance | £83,393 |
| d | Engineering Inspection | |
| | Allianz Cornhill | £39,850 |
| | Risk Management Partners | £62,567 |
| | Zurich Municipal | £68,838 |
| | Bureau Veritas | £73,436 |