

REPORT TO: POLICY AND RESOURCES COMMITTEE – 9 FEBRUARY 2015

REPORT ON: INSURANCE TENDER REPORT

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 32-2015

1.0 PURPOSE OF REPORT

1.1 This report provides Elected Members with an overview of the 2014 Insurance procurement exercise and of the 2015-2020 Insured and Self Insured arrangements.

2.0 RECOMMENDATIONS

2.1 It is recommended the Policy and Resources Committee notes the content of this report and ratifies the Insurance programme for the period 2015 to 2020.

3.0 FINANCIAL IMPLICATIONS

3.1 The net effect will be that the 2015/16 insurance and risk management programme has been negotiated within the provision contained in the approved 2015/16 Revenue Budget.

4.0 MAIN TEXT

4.1 The Council's Property and Liability Insurance arrangements were subject to Long Term Agreements which expired on 31 December 2014, necessitating a formal Tender process in keeping with Procurement regulations. The tender return required a 5 year programme with an option of a further 2 years thereafter.

4.2 The returns were analysed having regard to price, scope of cover offered and effectiveness of claims handling, in conjunction with guidance from the Council's Corporate Procurement Team. There was negligible difference between the pricing (Zurich Municipal most cost effective) and a slight preference to Zurich Municipal again on both the scope of cover offered and claims handling. Accordingly the contract was placed within the delegated authority contained within Standing Orders.

4.3 Alternative lower claims excesses were requested but discounted on the basis that historical claims experience demonstrates that retention of the existing levels of excess provide best value to the Council.

4.4 The Council's Liability Indemnity Limit has been static at £30m since 1996. Given the level of savings generated, the opportunity has been taken to increase the limit to £40m at an annual additional cost of £10,000.

4.5 Annual savings of £350,000 over a possible 7 year period have been generated by this exercise. Savings of this nature are sometimes generated by increased competition through a more co-ordinated procurement process.

In this case, given the very low number of returns from the Insurance market the alternative reasons for the level of savings are:-

- i) The Council has consistently delivered on its commitment to improve its risk profile. This has been evidenced in our discussions with Insurers and is often reflected in improved and/or stabilised self insured claims statistics. The recently published reduction in Vandalism costs is one example.

- ii) When the Council last tendered, insurance rates were higher than is presently the case.
- iii) The legacy of Morgan Academy still appeared within the Council's recent claims history.

Whilst there is a saving of £350,000 per annum on insurance costs, the Insurance Account has previously been subsidised by way of an annual transfer from accumulated balances on the Insurance Fund. This subsidy is not sustainable going forward and will now be replaced by the annual saving on insurance costs.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The major issues identified are:-

5.1 Risk Management

- 5.1.1 This report is concerned with the manner in which the Council transfers catastrophe risks to its Insurance carriers.

6.0 CONSULTATIONS

- 6.1 The Chief Executive and the Head of Democratic and Legal Services have been consulted in relation to this report.

7.0 BACKGROUND PAPERS

None.

M M Stewart Director of Corporate Services	Date:	
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APPENDIX 1 : SUMMARY OF TENDERED INSURANCE COSTS

Cover	Insurer	Excess (£)	Premium (£)
Main property policy	Zurich Municipal	1m	477,852
Employers and Public Liability	Zurich Municipal	200,000	239,474
Excess Liability Limit to £40m	Zurich Municipal	Not applicable	<u>10,000</u>
		Total	<u>727,326</u>