

REPORT TO: POLICY AND RESOURCES COMMITTEE
REPORT ON: INSURANCE AND RISK MANAGEMENT PROGRAMME 2009-2012
REPORT BY: HEAD OF FINANCE
REPORT NO: 117-2009

1 PURPOSE OF REPORT

This report provides Elected Members with an overview of the proposed insured/self. Insured risk management arrangements for the period 1 January 2009 to 1 January 2012.

2 RECOMMENDATIONS

It is recommended the Committee:

- 2.1 Ratifies renewal of the 2009 insurance programme.
- 2.2 Approves extension of the Council's Long Term Agreements from their current expiry date of 1 January 2010 to 1 January 2012.

3 FINANCIAL IMPLICATIONS

The financial implications of the 2009 insured and self insured programme are set out below:

Class of Insurance	Insurers	Net Premium £	Insurance Fund Deposit for Self-Insured Losses £	Estimated Total Cost £
Property	Zurich Municipal	986,000	750,000	1,736,000
Liabilities	Zurich Municipal/AIG	292,000	600,000	892,000
Motor	Royal Insurance	145,000	200,000	345,000
Accident Inspection	Thomson Lumsden	8,000	----	8,000
Personal Accident	AIG/Various	36,000	----	36,000
Broker Fees	Willis	3,000	----	3,000
Risk Management	----	180,000	----	180,000
		<u>1,650,000</u>	<u>1,550,000</u>	<u>3,200,000</u>

The net effect of the foregoing will be that the 2009 insurance and risk management has been negotiated to incorporate a £192,000 saving when compared with the original allowance included in the 2009/10 Provisional Revenue Budget. This saving has been included in the Provisional 2009-2012 Revenue Budget volume.

4 MAIN TEXT

- 4.1 Renewal of the City Council's Insurance programme has been successfully achieved within the framework of the Council's existing Long Term Agreement, which guarantees stability of rates, provided claims to premium ratios remain acceptable.
- 4.2 The City Council's claims to premium ratio remains good and this has allowed negotiation with Insurers over the period of the Council's Long Term Agreement.

- 4.3 Insurers have confirmed it would be possible at this stage to extend the period of the Council's Long Term Agreement from its current expiry date of 1 January 2010 to 1 January 2012.
- 4.4 In return for such an extension, Insurers will discount renewal premiums for each of the renewal dates from 1 January 2009 to 1 January 2011.
- 4.5 The 2 year extension will, at today's prices, generate cumulative savings to the Council of £576,000.
- 4.6 There are clear Insurance Market signals that rates of premium are to increase during the course of 2009. Whilst not as exposed to "toxic debt" as other financial institutions, Insurers are big institutional investors and are experiencing significant downturns in investment returns as interest rates fall.
- 4.7 To not take advantage of the offered premium reductions could result in the Council approaching the Insurance Market, through Tender procedures in December 2009, at a time when rates of premium have increased significantly over that enjoyed during the past 5 years.

5 **POLICY IMPLICATIONS**

- 5.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.
- 5.2 A stable Insurance programme is a fundamental part of the Council's Risk Management Strategy in that it provides a cost effective means of transferring the cost of catastrophic events to Insurers.

6 **CONSULTATIONS**

The Chief Executive, Depute Chief Executive (Support Services), Depute Chief Executive (Finance) and Head of Finance have been consulted on the content of this report.

7 **BACKGROUND PAPERS**

None.

In view of the timescales involved, this report was approved by the Head of Finance

Marjory Stewart

Head of Finance

Date 5th February 2009

The undernoted were consulted.

Kevin Keenan	Convenor	Date	<u>5th February 2009</u>
Ken Guild	SNP Group Spokesperson	Date	<u>6th February 2009</u>
Roderick A G Wallace	Conservative Group Spokesperson	Date	<u>6th February 2009</u>
Fraser MacPherson	Liberal Democrat Group Spokesperson	Date	<u>6th February 2009</u>