

CABINET

THURSDAY, 18 JUNE 2015

REPORT OF THE PORTFOLIO HOLDER FOR OPERATIONS AND ASSETS

INSURANCE TENDER 2015

PURPOSE

This report is to advise Cabinet that the Authority's insurance requirements will be tendered during 2015, to seek endorsement of the contract brief and to request approval to delegate authority to the Director of Finance to award the contracts.

Following the process Cabinet will receive a report with the results of the re-marketing exercise.

This is a Key Decision as the value of the contract will exceed £100,000 in the financial year.

RECOMMENDATIONS

That Cabinet:

- 1. Endorse the contract brief for the procurement of Insurance contracts;**
- 2. Delegate authority to the Director of Finance to award the contracts to the successful insurers following any negotiation with the insurers to finalise the contracts;**
- 3. Approve the continual use of the current insurance Reserves for self-insurance liabilities.**
- 4. Confirm that Terrorism cover is not required;**
- 5. Endorse that part of any premium reductions achieved are utilised to establish funds, at an appropriate level, to cover the potential future impact on revenue budgets of increased excesses.**

EXECUTIVE SUMMARY

The Council last went to the market for insurance in 2010/11 when a long term agreement (LTA) for all cover was placed with Zurich Municipal Insurance.

The re-marketing of the insurance is carried out using a risk based approach to minimise costs and provide appropriate cover.

Tenders will be requested at both current and increased levels of self-insurance by obtaining quotes using various levels of excess. The period of LTA will be varied over number of years so quotes will be requested for 3 plus 2 year and 5 year periods. A summary of the tender specification is attached at **Appendix A**.

Key areas to note:

- Significant savings were achieved on the last exercise in 2010 resulting in the current premium rates being very competitive.
- By increasing self- insurance levels the premium rates will optimise the total amount of funds required for Insurance.
- Increased levels of self-insurance will require reserves to 'smooth' the impact of losses incurred over a number of years.
- The general insurance market is currently considered to be in a 'hardening' state which indicates that there is upward pressure on premium rates.
- The claims experience over the last 10 years shows improvements however there have been a number of high value claims on the property policies which could generate upward pressure on premium rates.
- The Council will need to consider its terrorism cover requirements.

To provide access to a wide range of insurers, and to have access to the most effective policy profile we are working with the insurance broker Marsh Ltd.

The insurance portfolio will go to the market via the Intend (electronic procurement) system, with the assistance of our brokers and, due to the value of the contract, it will require an OJEU notice.

To ensure that the Council can obtain the most advantageous premium rates, and ensure cover is in place by the renewal date of 1st October 2015, it is requested that delegated powers are given to the Director of Finance to accept the successful Insurance Tender.

On recent reviews terrorism cover has not been requested. This will be reviewed in conjunction with our brokers taking into account the cost compared to the risk involved. At this point it is recommended that the current policy continue and terrorism cover is not required.

OPTIONS CONSIDERED

The adoption of self-insurance through the use of policy excesses can provide savings. This is achieved by the application of effective risk management working practices to reduce the value and number of claims. They are used for claims that are relatively small and can provide greater local flexibility when handling claims and reduce the 'pound swapping' element included in insurance premiums.

Options will be requested and reviewed at both current and increased levels of self-insurance by obtaining quotes using various levels of excess - in order to determine the optimum level of self-insurance (excess levels) compared to premiums paid.

The current Insurance Reserves, currently £557,059, will be reviewed to ensure that they are set at a level that will accommodate any increases in excess levels that will provide an economic advantage. Any increase is required to be funded by reductions in premiums, if available, and built up over a number of years.

The period of LTA will be varied over number of years so quotes will be requested for 3 plus 2 year and 5 year periods.

RESOURCE IMPLICATIONS

The Insurance budget for the next 5 years within the Medium Term Financial Strategy is estimated at £2,364,150, the process adopted in this exercise will seek to ensure that this is not exceeded, and where possible reduced.

LEGAL/RISK IMPLICATIONS BACKGROUND

The only mandatory insurance policy required is Fidelity Guarantee. Insurance cover enables the adverse cost of Risk financing to be spread over a number of years and lessens the financial impact on revenue funds. This will ensure that the Authority is able to deliver the full range of intended services during the period.

SUSTAINABILITY IMPLICATIONS

The financing of risk using insurance policies ensures that there is minimal impact on the delivery of services.

BACKGROUND INFORMATION

None

REPORT AUTHOR

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LIST OF BACKGROUND PAPERS

Corporate Governance portfolio, Members' book item, Insurance review 2002/03, 27/09/02.
Corporate Governance portfolio, Members book item, banking and insurance market testing, 22/11/04
Cabinet, Insurance renewal, 19/12/05
Leaders book report November 2010

APPENDICES

Appendix A Summary Tender Specification

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