

THURSDAY, 19 MARCH 2020

**REPORT OF THE PORTFOLIO HOLDER FOR ASSETS AND FINANCE****INSURANCE RENEWAL 2020****EXEMPT INFORMATION**

None

**PURPOSE**

This report is to advise Cabinet of the Authority's insurance requirements being put out to tender and to request the delegation of authority to the Executive Director Finance (EDF) to approve the acceptance of the successful submission.

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

**RECOMMENDATIONS**

It is recommended that Cabinet:

- 1. Endorse the contract brief for the procurement of Insurance contracts.**
- 2. Delegate authority to the Executive Director Finance, in consultation with the portfolio holder, to appoint the successful insurer and to undertake any negotiation with the insurer to finalise the contract.**
- 3. Approve the continual use of the insurance reserves for self-insurance liabilities**
- 4. Endorse the Executive Director Finance to use part of any premium reductions achieved to maintain funds at an appropriate level to cover the potential impact on revenue budgets of increased excesses.**

**EXECUTIVE SUMMARY**

The council last re-marketed the insurance portfolio in 2015 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. The process is supported by the use of Brokers to ensure we have access to the full market and consider options presented by independent market specialists.

Insurance is held to protect the assets of the Authority and to mitigate the financial impact in any one year of any claims. To minimise the levels of funds used options will be reviewed at both current and increased levels of self-insurance by obtaining quotes using various levels of excess. Quotes will be requested for 3+2 year and 5 year periods.

Key areas to note:

- By varying 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 manage the impact of losses incurred over a number of years.
- The claims experience over the last 10 years shows improvements however there have been some high value claims on the Casualty policies which could generate upward pressure on premium rates.
- To consider terrorism cover requirements.

The insurance portfolio will go to the market via the In-Tend system, with the assistance of our brokers and, due to the value of the contract, it will require an OJEU notice.

To maximise market interest the insurance portfolio will be presented in 6 lots with the bulk of the cover held in lots 1-3, see the Policy Summary in the Appendix to this report.

To ensure the Authority can obtain the most advantageous premium rates, and cover is in place by the renewal date, 30<sup>th</sup> September 2020, it is requested that delegated powers are given to the EDF to accept the successful Insurance submission.

## **OPTIONS CONSIDERED**

As previously recognised the use of self-insurance by increasing policy excesses can provide savings. The effectiveness of this relies on the relationship between possible claims within the excess to annual premium savings. This is achieved by the application of effective risk management working practices to reduce the value and number of claims.

Self-insurance is 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 – this will enable us to determine the optimum level of self-insurance (excess levels) compared to premiums paid.

The Insurance Reserves, currently £371,848, 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 required will be funded by reductions in premiums, if available, and built up over a number of years.

On recent reviews terrorism cover has not been taken, the need for this cover will be reviewed in conjunction with our brokers.

## **RESOURCE IMPLICATIONS**

The current Insurance budget for the next 5 years is £2,721,310. 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. However effective Insurance cover enables the adverse cost of risk financing to be spread over a number years and thereby reducing 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.

The use of Insurance is an integral element of the Authority's Risk Financing Strategy.

## **EQUALITIES IMPLICATIONS**

None

## **SUSTAINABILITY IMPLICATIONS**

None directly arising from this report, but flooding events like those seen across large parts of the UK in recent times are likely to be seen more frequently and extensively across the country. Appropriate insurance will help the authority to manage the impact should flooding affect any Council property.

## **REPORT AUTHOR**

R Bennett – Operations Accountant

## **LIST OF BACKGROUND PAPERS**

*Background papers: Cabinet, Insurance Tender 2015, 18/06/15*

## **APPENDICES**

## POLICY SUMMARY

Details of expiring covers as below.

LOT	DESCRIPTION	INFORMATION/COVER REQUIRED
<b>Lot 1 - Property</b>	General Properties and Housing including Theft	<b>General Properties</b> fire, subterranean fire, lightning, explosion (full), aircraft, riot, civil commotion, malicious damage, earthquake, storm, flood, escape of water, theft and full impact <b>Housing Properties</b> fire, lightning, explosion (full), aircraft, riot, civil commotion, malicious Damage, earthquake, storm, flood, escape of Water, full impact and subterranean fire Deductible Expiring £10,000 / Theft £1,000
	Business interruption	Perils as Material Damage Deductible - NIL
	Money	As data provided. Deductible - NIL
	All Risks	As data provided Deductible – variable per items
	Works In Progress	As data provided Contract Limit £1,000,000 Deductible - £500 subsidence £1,000
	Industrial and Commercial properties	Fire, lightning, explosion (full), aircraft, riot civil commotion, earthquake, storm, flood Deductibles storm/flood £100 Malicious persons/own vehicle £250
	Leaseholders	Householders comprehensive cover for leaseholders building Deductible - NIL
	Fidelity Guarantee	Limits as per data provided. Deductible – £5,000
	Computer	Accidental damage including breakdown to Computer Suite Equipment whilst at the premises Other Computer Equipment Deductibles vary per item
<b>Lot 2 Casualty</b>	Employers Liability	£20M Limit of Liability - Deductible £5,000
	Public and Products Liability	£20M Limit of Liability - Deductible £5,000
	Officials Indemnity	£1M Limit of Liability - Deductible £1,000
	Public Health	£1M Limit of Liability - Deductible £1,000
	Libel and slander	£1M Limit of Liability - Deductible Nil
	Land charges	£5M Limit of Liability - Deductible £1,000
	Professional Indemnity	£1M Limit of Liability – Deductible £5,000
<b>Lot 3</b>	Motor	Comprehensive Deductible £500
<b>Lot 4</b>	Personal Accident & Travel	Deductible Nil
<b>Lot 5</b>	Engineering insurance and inspection	Deductible £100
<b>Lot 6</b>	Employment Practices Liability	Limit £100,000 - Deductible Nil