

# **POLICY & RESOURCES CABINET BOARD**

## **REPORT OF THE HEAD OF FINANCIAL SERVICES – DAVE REES**

**16<sup>TH</sup> OCTOBER 2014**

### **SECTION B - MATTERS FOR INFORMATION**

**WARDS AFFECTED: ALL**

#### **INSURANCE ARRANGEMENTS 2014/15**

##### **1. Purpose of Report**

- 1.1 The purpose of the report is to advise Members of an urgency action taken to accept the results of the 2014 insurance renewal negotiations with underwriters which was carried out on our behalf by our insurance brokers, Marsh Limited.
- 1.2 Approval of the insurance renewals is required by the 1<sup>st</sup> October 2014, with the information in relation to the renewals becoming available on the 3<sup>rd</sup> September 2014. This is why this matter was the subject of an urgency action taken, in consultation with requisite Members, in September 2014, Urgency Action No: 0363).

##### **2. Background**

- 2.1 During 2010, the Council's insurance brokers, Marsh Limited, conducted an EU compliant procurement exercise to obtain a new long term agreement for five years from 1<sup>st</sup> October 2010 for all but one of the Council's main insurance policies. The policy for material damage for buildings was re-tendered in October 2009 for five years and its term has now been extended so that it also falls due for retender in 2015.
- 2.2 The renewals accepted for 1<sup>st</sup> October 2014 will include all the insurance policies of the Authority.

##### **3. Premiums 2014/15**

- 3.1 The total cost of Insurance premiums, fees etc for renewal from 1<sup>st</sup> October 2014 is £1,003,132 (inclusive of 6% insurance premium tax). Table 1 below summarises the total renewal cost by class of business and includes the 2013/14 figures for comparison.

**Table 1**

<b>Class of Business</b>	<b>Provider</b>	<b>2013/14</b> £	<b>2014/15</b> £
Material Damage (Buildings)	AIG	380,682	364,786
Fidelity Guarantee	AIG	12,000	12,000
Contractors All Risk / Hired in Plant	HSB	18,386	7,886
Combined Liabilities	AIG	210,404	210,404
Combined Liabilities-SWTRA	AIG	126,000	126,000
Motor Fleet-Minimum Deposit Policy	AIG	57,730	57,730
Personal Accident / Travel	AIG	17,120	16,743
Engineering Inspection	Royal Sun Alliance	12,832	13,153
Engineering Insurance	Royal Sun Alliance	1,533	1,533
Computer	HSB	4,497	5,774
Marine	Royal Sun Alliance	3,483	3,483
School Offsite Activities	ACE	14,178	14,178
Professional Indemnity	Travelers	30,000	30,000
Motor uninsured Loss Recovery	DAS Legal	1,755	1,755
<b>Sub Total</b>		<b>890,600</b>	<b>865,425</b>
Insurance Premium Tax *		52,666	51,136
<b>Total Premium (including Tax)</b>		<b>943,266</b>	<b>916,561</b>
Claims Handling	Gallagher Bassett	71,970	64,950
Insurance Consultants Fees	Marsh	21,621	21,621
<b>TOTAL</b>		<b>1,036,857</b>	<b>1,003,132</b>

\* IPT is at 6% for 2014/15 excluding Engineering Inspection which is charged at the prevailing VAT rate.

3.2 A claims handling deposit premium of £64,950 is payable to Gallagher Bassett International for handling liability claims on behalf of the Authority and our liability insurers. The actual claim handling cost is subject to variation based on the actual number of claims received per policy area.

3.3 The policy renewal conditions remain the same as in 2013/14. These are:

- For Combined Liability, that is, Employers and Public Liability insurance, each and every claim is subject to a £100,000 deductible (excess). The Aggregate Stop stands at £3.1m.
- For Material Damage, that is, building insurance, the self insurance elements amount to £100,000. This changes to £250,000 for schools. The Aggregate Stop remains at £1m.
- A terrorism exclusion applies.
- For the Motor Fleet Policy, each and every claim is subject to a £100,000 deductible. The Aggregate Stop remains at £350,000.


The Authority will aim to maintain reasonable internal budgets to fund the self-insured excesses.

### **List of Background Papers**

Insurance Renewal Report 2014 by Marsh Insurance Consultants.


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