

# **POLICY & RESOURCES CABINET BOARD**

**3<sup>RD</sup> SEPTEMBER 2015**

## **REPORT OF THE HEAD OF FINANCIAL SERVICES**

### **SECTION A – MATTER FOR DECISION**

#### **WARDS AFFECTED – ALL**

#### **INSURANCE ARRANGEMENTS 2015/16**

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

- 1.1 The purpose of the report is to provide Members with details of the outcome of the insurance tendering process for 2015, which has been co-ordinated on our behalf by our insurance brokers, Marsh Limited.
- 1.2 The report also outlines the cost of providing the insurance cover for the Council's main policies and provides a comparison with the previous financial year.

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

- 2.1 The Council's Long Term Agreements for the insurance cover of property, fidelity guarantee, combined liability, professional indemnity, motor fleet, contractors all risks, hired in plant and computer are coming to the end of their term and will expire on 30<sup>th</sup> September 2015.
- 2.2 Approval of the insurance tenders is required in advance of the 1<sup>st</sup> October to ensure that the Council continues to have adequate insurance cover in place.
- 2.3 The Council's insurance broker, Marsh Limited, has completed a tender exercise on our behalf for these classes of business, via the Crown Commercial Service Framework. The tender arrangements will introduce a five year agreement for the provision of insurance policies.

##### **3. Tender evaluation**

- 3.1 The tenders received have been evaluated in accordance with the Council's tender evaluation criteria scoring which take account of the quality and depth of the cover and services offered, together with the premium quoted.

3.2 The price and quality evaluation criteria applied for this tender exercise was 40% price and 60% quality with the quality criteria split into the following elements.

- Compliance with tender and innovation 20%
- Quality Systems
  - (i) Risk Management assistance 10%
  - (ii) Claims 10%
  - (iii) General 10%
  - (iv) Stability 10%

3.3 Details of the preferred insurer are shown in Table 1 below. The presentation of this table has changed to reflect that we have utilised Risk Management Partners to place some policies as we can only access the insurance market via this route.

3.4 It is proposed that the long term agreement with insurers will be for a three year term, with a two year option to renew. This allows a degree of flexibility which may be required if any major changes are made to the operation of this Council.

#### **4. Premiums 2015/16**

4.1 The total cost for our tendered Insurance premiums, fees, etc. for renewal from 1<sup>st</sup> October 2015 is £885,383 (inclusive of 6% insurance premium tax). Table 1 below summarises the total renewal cost by class of business and includes the 2014/15 figures for comparison purposes. This table also identifies the current and proposed insurers.

4.2 This table identifies saving of £64,000 arising from this tendering process, which will be fully realised in 2016/17. However, this will be offset in that year by an increase in Insurance Premium Tax from 6% to 9.5% which will result in an additional charge of £26,000, a net saving of £38,000.

4.3 Included in the total cost of Insurance premiums and fees is a claims handling deposit premium of £72,966 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.

**Table 1**

<b>Class of Business</b>	<b>Original Provider</b>	<b>New Provider</b>	<b>2014/15 £</b>	<b>2015/16 £</b>
Material Damage (Buildings)	AIG	AIG via RMP	364,786	306,976
Fidelity Guarantee	AIG	QBE via RMP	12,000	14,425
Combined Liabilities	AIG	QBE via RMP	210,404	211,725
Combined Liabilities-SWTRA	AIG	QBE via RMP	126,000	132,515
Professional Indemnity	Travelers	QBE via RMP	30,000	6,700
Motor Fleet-Minimum Deposit Policy	AIG	QBE via RMP	57,730	64,650
Motor retro Low Claims Rebate	n/a	QBE via RMP	0	-2,887
Contractors All Risk / Hired in Plant	HSB	HSB via RMP	7,886	7,779
Computer	HSB	HSB via RMP	5,774	4,151
Insurance Premium Tax			48,875	44,762
<b>Total Premium (including Tax)</b>			<b>863,455</b>	<b>790,796</b>
Claims Handling	Gallagher Bassett	Gallagher Bassett	64,950	72,966
Insurance Consultants Fees	Marsh	Marsh	21,621	21,621
<b>TOTAL</b>			<b>950,026</b>	<b>885,383</b>

4.4 The policy renewal conditions remain the same as in 2014/15. These are:

- Combined Liability, which covers Employers and Public Liability insurance, has an excess for each and every claim of £100,000. The Aggregate Stop remains at £3.1m.
- Material Damage, which covers building insurance, has a self-insurance element amounting to £100,000. This increases to £250,000 for schools. The Aggregate Stop remains at £1m.
- Motor Fleet insurance has an excess for each and every claim of £100,000. The Aggregate Stop remains at £350,000.

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

## **5. Recommendation**

5.1 It is recommended that Members:

- Approve the placing of insurance policies as outlined in this report.
- Task the Head of Financial Services with ensuring the Council's tendered Insurance arrangements are in place from 1st October 2015.

## **6. Reason for proposed decision**


6.1 To provide a decision in relation to the Council's Insurance arrangements, which need to be in place before the 1<sup>st</sup> October 2015.

### **List of Background Papers**

Insurance Renewal Report 2015


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## **COMPLIANCE STATEMENT**

### **INSURANCE ARRANGEMENTS 2015/16**

#### **(a) Implementation of Decision**

The decision is proposed for immediate implementation.

#### **(b) Sustainability Appraisal**

##### **Community Plan Impacts**

Economic Prosperity	-	No impact
Education and Lifelong Learning	-	No impact
Better Health and Well Being	-	No impact
Environment and Transport	-	No impact
Crime and Disorder	-	No impact

##### **Other Impacts**

Welsh Language	-	No impact
Sustainable Development	-	No impact
Equalities	-	No impact
Social Inclusion	-	No impact

#### **(c) Consultation**

This item is not subject to external consultation.