

POLICY AND RESOURCES CABINET BOARD
REPORT OF THE HEAD OF FINANCIAL SERVICES

20th September 2017

Matter for Decision

Wards Affected - All

Insurance Arrangements 2017/18

Purpose of Report

1. The purpose of this report is to seek Members confirmation of the insurance arrangements for 2017, which are co-ordinated on our behalf by our insurance broker, Marsh Limited.

The report outlines the cost of providing the insurance cover for the Council's main policies and provides a comparison with the previous financial year.

Background

2. 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 were put in place from 1st October 2015.

Approval of the insurance renewals is required in advance of the 1st October each year to ensure that the Council continues to have adequate insurance cover in place.

Financial Impact

3. The total cost for our tendered Insurance premiums, fees, etc. for renewal from 1st October 2017 is £1.058m (inclusive of 12% insurance premium tax). Table 1 below summarises the total renewal cost by class of business and includes the 2016/17 figures for comparison purposes.

Table 1

Class of Business	Current Provider	2016/17	2017/18
		£	£
Material Damage (Buildings)	AIG via RMP	328,690	309,874
Fidelity Guarantee	QBE via RMP	14,425	14,690
Combined Liabilities	QBE via RMP	211,725	239,897
Combined Liabilities-SWTRA	QBE via RMP	132,515	156,471
Professional Indemnity	QBE via RMP	6,700	6,700
Motor Fleet-Minimum Deposit Policy	QBE via RMP	65,550	78,225
Contractors All Risk / Hired in Plant	HSB via RMP	7,779	7,779
Computer	HSB via RMP	4,778	4,549
Issue specific policies	Various	59,422	60,415
Insurance Premium Tax		83,158	105,432
Total Premium (including Tax)		914,742	984,032
Claims Handling	Gallagher Bassett	73,280	52,818
Insurance Consultants Fees	Marsh	21,621	21,621
TOTAL		1,009,643	1,058,471

4. The most significant increase in the costs since last year has arisen because of the impact of the legislative change to the discount (or Ogden) rate which takes account of the level of investment return which may be achieved in relation to an insurance lump sum settlement. The Lord Chancellor previously considered this return could be 2.5%, but in February 2017, this rate was reduced to -0.75%. It is estimated that this decision will drastically increase the size of lump-sum payments paid out in serious personal injury cases and that we may see further increase in premiums as the impact becomes clearer. On 7th September, the Government announced that they had reviewed their decision and have issued draft legislation to amend the way the discount rate should be changed. They propose a panel of experts to review the rate every three years. Any change in the

discount rate cannot be backdated and will only affect future claims when the legislation is in place. We await further news from the insurance market before knowing how this will impact on years' premiums. The increase in Insurance Premium Tax from 12% from 10% has also had an impact on the Council's costs.

Included in the total cost of Insurance premiums and fees is a claims handling deposit premium of £52,818 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.

5. The main policy renewal conditions have been reviewed, taking account of our claims history and updated as follows:
 - There has been no change to the Combined Liability policy, which covers Employers and Public Liability insurance. This has an excess for each and every claim of £100,000, with the Aggregate Stop remaining at £3.1m.
 - There has been no change to the Material Damage policy, which covers building insurance and has a self-insurance element amounting to £100,000. This increases to £250,000 for schools. The Aggregate Stop remains at £1m.
 - The Motor Fleet insurance policy has been amended to increase the excess for each and every claim to £135,000 from £100,000. The Aggregate Stop has increased from £350,000 to £413,475.

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

Equality Impact Assessment

6. There is no requirement for an equality impact assessment in respect of this item.

Workforce Impact

7. There are no workforce impacts in respect of this item.

Legal Impact

8. There is no legal risk to the Authority provided the insurance renewal arrangements are confirmed and put in place for 1st October 2017.

Risk Management

9. Ensuring that there are appropriate insurance policies in place mitigates the Council's costs in the case of legitimate insurance claims.

Consultation

10. There is no requirement for external consultation on this item.

Recommendation

11. It is recommended that Members approve the Council's Insurance Renewal Arrangements effective from 1st October 2017.

Reason for proposed decision

12. To provide a decision in relation to the Council's Insurance arrangements, which need to be in place before the 1st October 2017.

Implementation of decision


13. The decision is an urgent one for immediate implementation, subject to the consent of the relevant Scrutiny Chair.

List of Background Papers

14. Insurance Renewal Report 2017


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