

POLICY, FINANCE AND ADMINISTRATION COMMITTEE**15 APRIL 2015****REPORT OF HEAD OF FINANCIAL SERVICES****INSURANCE POLICY RENEWALS 2015/16****1.0 PURPOSE**

- 1.1 The purpose of this report is to renew the Council's various insurance policies and approve the award of the contract to the Council's current insurer, Zurich Municipal (ZM), with effect from 1 July 2015. Initially this will be for a five year period with an annual option to extend the contract up to seven years.

2.0 RECOMMENDATIONS

- 2.1 **Zurich Municipal (ZM) be appointed as the Council's insurers to provide the Council's various insurance policies for an initial period of five years commencing 1 July 2015 subject to agreeing suitable terms and conditions; the annual cost being as shown in paragraph 3.3,**
- 2.2 **The Head of Central Services be granted delegated authority to renew the policies on an annual basis up to a maximum period of seven years subject to the terms remaining the same,**
- 2.3 **The level of excess on the Employers Liability Policy be increased from £0 to £5,000 for an annual saving of £2.8k (para. 3.4 refers),**
- 2.4 **Members note the proposed changes to the new cover compared to the existing made in consultation with the Management Team as outlined in para 3.5 A to F.**
- 2.5 **Any overspend on the HRA is funded from the HRA working balance and any general fund overspend is funded from suitable savings or the inflation contingency (para 5.2 refers)**

3.0 KEY ISSUES

- 3.1 The Council's current insurance contract expires on 30 June 2015. A joint tendering exercise involving two local authorities, Melton and South Kesteven, was led by Procurement Lincolnshire and tenders invited for a period of up to 7 years.
- 3.2 Tenders received were evaluated using the following criteria out of a total score of 100:
- Price 60%
 - Quality 40%

There were only two bids received; one from ZM and a part bid received from Travelers for the property element only (including terrorism). ZM scored the highest on both price and quality and are therefore the preferred bidder.

- 3.3 The tender figure provided by ZM amounts to the sum of £230k per annum including the addition of Insurance Premium Tax (IPT) at 6% (where applicable), VAT (where applicable), a 10% five year long term agreement discount and a 5% package discount. This compares to the overall budget of £213k

3.4 A number of options were considered as part of the tender process, as shown in appendix A, and therefore the original premium submitted by ZM will be subject to change. The only option which is considered viable, due to the balance of risk against saving, is the increase in the excess for employers liability from £0 to £5,000 leading to a reduction in premium of £2,808.71.

3.5 There are also other factors which will affect the overall premium, the full impacts are not yet known but will be agreed upon at a post tender meeting, these are outlined below:

A. Additional perils (malicious persons and accidental damage) were requested for housing and General properties. The Head of Communities and Neighbourhoods subsequently confirmed that these would not be required for housing properties and therefore a reduction in premium should be seen;

B. Personal accident cover – in the quotation provided, personal accident cover for members and volunteers covers accident and assault whereas employees is assault only. ZM have confirmed that the additional premium to add accident would be £862.48.

C. The Terrorism premium quotation of £6,485.13 is subject to change as it is an indicative quote and is only valid for 42 days;

D. A risk management fund of £10,000 has been offered. However, a risk management fund of £5,000 (as currently held) is deemed sufficient. ZM have therefore confirmed that a reduction in premium of £5,000 will apply for a reduced risk management fund;

E. Under the motor policy, ZM have offered “Occasional business use” for an additional premium of £500 plus insurance premium tax. This cover is effectively a contingency cover to ensure cover, for example, if an employee who doesn’t usually need business use is required to use their own vehicle on Council business. It is not an alternative to employees who regularly use their own vehicles on Council business having business use on their own policies;

F. Professional Negligence – Blanket cover – the premium for this would be confirmed once proposal forms for the relevant areas have been submitted.

4.0 POLICY AND CORPORATE IMPLICATIONS

4.1 Policy and corporate implications were addressed in setting the current year’s budget for insurance. There are no further policy and corporate implications arising from this report.

5.0 FINANCIAL AND OTHER RESOURCE IMPLICATIONS

5.1 Appendix A provides a breakdown of the premiums. Dependant upon the factors above, it is anticipated that the overall overspend should be no more than £10,000. However, this is yet to be confirmed following the post tender meeting with ZM.

5.2 At this stage, the tender submission does not allow the calculation of the split of the overall premium to be charged to general and HRA. Any shortfall between budget and actual for the HRA will need to be met through a supplementary estimate from the HRA working balance, whilst any shortfall for the general fund could be funded from the inflation contingency budget as agreed via the budget setting process if savings cannot be identified from elsewhere.

5.3 The premiums will be subject to inflationary increases each year of up to 8% for liabilities and 5% for motor and engineering inspection.

6.0 LEGAL IMPLICATIONS/POWERS

6.1 The Legal Section will be consulted for purposes of concluding the contract with ZM and are working with Financial Services on agreeing the final terms and conditions.

7.0 COMMUNITY SAFETY

7.1 There are no community safety issues directly arising from this report.

8.0 EQUALITIES

8.1 There are no equality issues.

9.0 RISKS

9.1 There is an opportunity to be proactive in managing risk and therefore reducing the potential future liability both in terms of meeting policy excesses and insurance premiums. As part of their tender submission ZM have allocated a risk management fund to the Council.

10.0 CLIMATE CHANGE

10.1 There are no climate change issues directly arising from this report.

11.0 CONSULTATION

11.1 Management Team have reviewed the policy cover on offer and have agreed a number of decisions including some minor additions as outlined in para 3.5

11.2 Contract negotiations were undertaken in consultation with Procurement Lincolnshire and in collaboration with one other local authority.

12.0 WARDS AFFECTED

12.1 All wards

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| Contact Officer: | Natasha Bailey |
| Date: | 23 rd March 2015 |
| Appendices: | Appendix A – Insurance Premiums and Options |
| Background Papers: | Insurance Tender documents |
| Reference: | X:C'tees/PFA/2014-15/15042015/DG-Insurance Policy Renewals 2014/15 |