

Report

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Report to: **Finance and Information Technology Resources Committee**
 Date of Meeting: **16 March 2010**
 Report by: **Executive Director (Finance and Information Technology Resources)**

Subject: **Insurance and Claims Handling Contracts Renewal 2010/2011**

1. Purpose of Report

1.1. The purpose of the report is to:-

- ♦ provide an update on the Council's insurance cover for 2010/2011.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the continuation of the current long term agreements for the Council's insurance and claims handling contracts is approved
- (2) that the overall saving of £17,630 on premiums and claims handling fees is noted
- (3) that the current position relating to the long term agreements for tenants' contents and owner occupiers buildings insurance is noted.

3. Background

3.1. At the end of each year, insurers advise renewal terms which vary year on year. The purpose of this paper is to advise the committee of the terms for 2010/2011.

3.2. Following previous tender exercises, contracts were put in place for the insurance classes detailed below:

Table one – Existing insurance related contracts

Insurance class	Current Provider	Contract Start date	Contract expiry date
Combined liability/motor and claims handling	Risk Management Partners (RMP)/Chartis and Gallagher Bassett	1 April 2009	31 March 2012. Option to extend to 31 March 2014
Property, terrorism and associated policies	RMP/Chartis	1 April 2009	31 March 2012. Option to extend to 31 March 2014
Fidelity guarantee	RMP/Chartis	1 April 2009	31 March 2012. Option to extend to 31 March 2014
Travel (education excursions/business travel)	ACE	1 April 2009	31 March 2012. Option to extend to 31 March 2014
Engineering insurance and inspections	Royal Sun Alliance (RSA)	1 April 2006	31 March 2011

- 3.3. The Council's main insurance policies were originally placed with AIG. AIG has recently undergone a re-branding exercise and are now known as Chartis Insurance UK Limited.
- 3.4. A further two contracts are in place with Royal Sun Alliance for tenants' contents insurance and owner occupiers buildings insurance. These are five year contracts, which started on 1 October 2008 and run until 30 September 2013.
- 3.5. When these policies were extended in October 2009, the only change in rates was for accidental damage cover on the owner occupiers buildings insurance policy, where a 5% increase was applied. This increase was in line with the terms of the contract and was communicated to policyholders in September 2009

4. Insurance Renewal Process

- 4.1. During December 2009, the central risk management team within Finance and Information Technology Resources collated detailed data on the Council's assets, employees, operations, past insurance claims and risk management activity. This information was incorporated in an insurance renewal questionnaire, which ultimately provides an indication of risk exposure faced by the Council.
- 4.2. Following submission of the insurance renewal questionnaire, the Council's insurers provided renewal terms via the Council's insurance broker, Willis.
- 4.3. Details of renewal terms for the forthcoming year, with a comparison of last year's premiums are summarised below:

Table two – Renewal terms

	Premium for 1 April 2009 to 31 March 2010	Premium for 1 April 2010 to 31 March 2011	Variation	Comments
Combined Liability/Motor	£398,370	£385,350	(£13,020)	
Claims handling	£123,660	£126,590	£2,930	Contract allows for 5% increase per annum. 2.37% applied for 2010/2011
Property, terrorism and associated policies	£813,300	£800,160	(£13,140)	
Fidelity Guarantee	£21,000	£21,000	-	
Travel (educations excursions/business travel)	£3,200	£3,200	-	
Engineering Insurance and Inspections	£94,930	£100,530	£5,600	Increase due to additional items of plant being added to the inspection schedule
TOTAL	£1,454,460	£1,436,830	(£17,630)	

Note: premiums include Insurance Premium Tax @ 5%. Insurance premium tax does not apply to claims handling or engineering inspections.

- 4.4. Committee is asked to approve continuation of these policies and note the savings of £17,625 on last year's insurance related costs.

5. Employee Implications

- 5.1. The central risk management team will process insurance claims and manage the insurance and claims handling contracts.

6. Financial Implications

- 6.1. The cost of insurance premiums and claims handling fees will be met from the Council's self insurance fund. Budgets are in place to meet these costs.

7. Other Implications

- 7.1. Failure to adequately manage insured risks will result in increased premiums and claims handling fees. Insurance hotspots are being managed by Resource risk workgroups, with support being provided by central risk management.
- 7.2. There are no changes to the current contracts or insurance policy conditions.

8. Equality Impact Assessment and Consultation Arrangements

- 8.1. Equal opportunities and human rights were considered during the tender exercises. There is no need to undertake any further equalities impact assessment.
- 8.2. A final renewal report for 2010/2011 from the Council's insurance broker has been received which supports the premiums and fees detailed in this report.

Linda Hardie

Executive Director (Finance and Information Technology Resources)

17 February 2010

Link(s) to Council Values and Objectives

- ♦ Values: Accountable, effective and efficient.

Previous References

- ♦ Finance and Information Technology Resources Committee, 9 December 2008

List of Background Papers

- ♦ Report by Willis - South Lanarkshire Council 2010 Renewal

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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