

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO POLICY AND FINANCE COMMITTEE

INFORMATION

Agenda Item No 26

meeting date: 25 SEPTEMBER 2018  
title: INSURANCE RENEWALS  
submitted by: DIRECTOR OF RESOURCES  
principal author: MICK AINSCOW

### 1 PURPOSE

1.1 To inform Committee of the recent procurement exercise for the Council's insurance services.

1.2 Relevance to the Council's ambitions and priorities:

- Council Ambitions/Community Objectives

None directly. However, in accordance with the Council's risk management policy it is essential that all our functions and services be adequately insured.

- Other considerations

The Council are legally bound to ensure adequate insurance arrangements are maintained in certain areas e.g. employers liability.

### 2 BACKGROUND

2.1 The last full tendering exercise for our insurance services was carried out in 2013. At that time through the Government Procurement Service (GPS), we were able to identify a collaborative framework developed by them in conjunction with Pro 5, which comprises of the Yorkshire Purchasing Organisation (YPO), Central Buying Consortium (CBC), Eastern Shire Purchasing Organisation (ESPO) and North East Procurement Organisation (NEPO).

2.2 The use of Framework Agreements such as the GPS/Pro 5 Insurance Services Framework allows us to ensure that the procurement is EU compliant through the use of a pre-completed route to the market, which in turn allows a greatly reduced procurement timeframe. It also allows us to share procurement expertise and resources.

2.3 Providers on the framework are pre-qualified as to their general suitability. This means when buying services from them we are assured that they meet the appropriate standards in the provision of insurance.

2.4 The insurance framework offers the opportunity for the procurement to be undertaken direct with insurance suppliers, or for broker services to be procured. In our case, the costs of initially procuring a broker were excessive, due to the small scale of our contract. Therefore, we dealt directly with the insurance service providers on the Framework.

2.5 Invitations to tender were sent to all insurers identified in the framework agreement as willing to quote directly to ourselves. Documents were sent to four insurers in total, some prepared to quote only for specific types of business such as computer or terrorism insurance, whilst others were able to provide for our full range of insurance

requirements. Invitations to tender were sent on 2 May 2018 with a deadline for return of 12 noon on 31 May 2018.

- 2.6 A number of queries were raised by prospective tenderers and answered as appropriate, however, when the deadline arrived, only one tender was received – from our existing insurers, Zurich Municipal. The tender was opened on 3 June 2018 in the presence of the Vice-Chairman of this Committee the Head of Financial Services and the Head of Legal and Democratic Services.
- 2.7 In accordance with the tender specification, the quotation from Zurich Municipal detailed the annual premium in respect of a three year agreement and a five year agreement and included any discounts for the whole range of our insurances being placed with them as sole insurer. The annual premium payable should we enter into a three year agreement was £158,779, and for a five year agreement £151,460 – both these figures are inclusive of Insurance Premium Tax which is charged at a rate of 12%.
- 2.8 Following discussion with the Director of Resources and the Head of Financial Services, the tender submitted by Zurich Municipal for a five year term agreement effective from 20 June 2018 was accepted.

### 3 PREMIUMS

#### 3.1 Renewal terms for 2018/19 are as follows:

Policy	Premium		Increase/ Decrease £	%	Notes
	2017/2018 £	2018/19 £			
Material Damage (Fire)	15,364	12,879	-2,485	16.2	
Terrorism	2,609	2,673	64	2.5	<sup>1</sup>
Business Interruption	1,911	1,673	-238	12.5	<sup>1</sup>
Theft	1,915	1,788	-127	6.6	<sup>1</sup>
Money	653	268	-385	59	<sup>1</sup>
All Risks	4,919	4,412	-507	10.3	<sup>1</sup>
Public Liability	39,064	36,779	-2,285	5.8	
Professional Negligence	560	533	-27	4.8	
Officials Indemnity	1,823	1,467	-356	19.5	<sup>1</sup>
Employers Liability	20,634	33,223	12,589	61	<sup>2</sup>
Libel and Slander	527	474	-53	10.1	<sup>1</sup>
Motor	42,982	42,096	-886	2.1	
Engineering	6,600	6,797	197	3	
Fidelity Guarantee	2,047	1,838	-209	10.2	<sup>1</sup>
Land Charges	1,872	1,209	-663	35.4	<sup>1</sup>
Personal Accident	1,034	771	-263	25.4	<sup>1</sup>
Public Health Act	363	311	-52	14.3	<sup>1</sup>
Computers	1,628	2,269	641	39.4	<sup>3</sup>
	<b>146,505</b>	<b>151,460</b>	<b>4,955</b>	<b>3.4</b>	

#### Notes

- <sup>1</sup> General reduction in premium costs from insurers to ensure they were competitive in the tendering exercise.
- <sup>2</sup> Reflecting one large claim settled in 2017/18 at a total cost of £85k and two claims currently outstanding with large reserves allocated by insurers.
- <sup>3</sup> Reflecting an overall increase in claims nationwide in this particular line of business, meaning that insurers overall rating has increased for this kind of risk.

3.2 The total cost of premiums for 2018/19 has risen by £4,955 (3.4%) on the previous year's figure. The package and long-term discounts we have secured have offset to a large extent the significant increase in the employers' liability premium.

3.3 Our claims experience this year has been poor compared to previous years. Claims submitted over the last five years were as follows:

	Liability	Motor	Property	Total
2013/14	6	5	3	14
2014/15	3	13	0	16
2015/16	7	23	0	30
2016/17	4	18	3	25
2017/18	7	25	3	35

We continue to ensure that we act on any cause around insurance claims, and take action to mitigate the possibility of future claims.

	Liability	Motor	Property	Total
Claims outstanding 20.06.17	3	10	1	14
Claims during year	7	25	3	35
Settled during year	2	30	4	36
Claims outstanding 19.06.18	8	5	0	13

#### 4 RISK ASSESSMENT

4.1 The approval of this report may have the following implications.

- Resources – cost to the Council in defending any legal action as a result of a lack of insurance cover and cost of any premium increases as a result of poor claims history. The insurance cost for 2018/19 can be met from within existing resources.
- Technical, Environmental and Legal – the Council are legally bound to ensure adequate insurance arrangements are maintained in certain areas, e.g. employers' liability.
- Political – no implications identified.
- Reputation – if the Council failed to comply with legislation or failed to adequately insure it would reflect badly on our reputation.
- Equality and Diversity – no implications identified.

#### 5 RECOMMENDED THAT COMMITTEE

5.1 Note the decision to appoint Zurich Municipal as the Council's insurers on a five year long term agreement from 20 June 2018.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

PF47-18/MA/AC  
5 September 2018

BACKGROUND PAPERS

*None*

For further information please ask for Mick Ainscow, extension 4540