

23 April 2018

Agenda Item: 6

## **REPORT OF SERVICE DIRECTOR – FINANCE, PROCUREMENT AND IMPROVEMENT**

### **INSURANCE RENEWAL 2018/19**

#### **Purpose of the Report**

1. The purpose of this report is to seek the approval of members to the strategy for the placing of the Council insurance policies in 2018/19 and 2019/20.

#### **Information**

##### **Background**

2. The current contract for the Council's property, motor and liability insurance expires on 30 April 2018 and, in view of the ongoing discussions with VIA EM taking on the Highways liabilities, it is considered appropriate to seek a contract extension from the current insurer Zurich Municipal.

##### **Assessment of Cost Implications**

- 2.1. In their quotation, Zurich Municipal have attempted to maintain the premium spend in total, net of Insurance Premium Tax (IPT), at the 2017/18 level. However, this is at the expense of the excess on the public and employers' liability policies, which is increased from £260,000 to £750,000. The excess on the property and motor policies is maintained at current levels.
- 2.2. An analysis of premiums in 2017/18 compared with the suggested alternative premiums in 2018/19 (including the increase in excess) is set out in **Appendix A**. The total increase in the cost of premiums in 2018/19 over 2017/18 is £76,745 (4.7%), including IPT. When looking at the comparison between the two years it is important to note that IPT has increased by 2%. Without any other changes this would have resulted in a £30,000 increase in the 2018/19 premiums.
- 2.3. Looking at recent years' claims, it is not unreasonable to assume that with a £750,000 excess, the increased cost of self-funded claims would be in the region of £190,000 per year. At an alternative £500,000 excess, for instance, the estimated increased cost in self-

funded claims would be estimated at £122,000. These projections are based on averages of the recent high value claims. Since 1 April 2013 the Council has received 3 liability claims with current estimated values in excess of £260,000 which would have been impacted by the increased excess. Two of these claims have estimated costs falling between £260,000 and £750,000 and one is significantly over £750,000.

- 2.4. Moving to the higher excess, therefore, is a calculated risk and could turn out to be either more or less beneficial depending on the claims incurred. Taking the higher excess does have the advantage of delaying expenditure as it will be at least 12 months after renewal that any claim payment in excess of £250,000 would be made.
- 2.5. In addition to the increase in excess, at the £750,000 level, the stop loss increases from £4.25m to £5.5m.
- 2.6. The terms also include a claims performance adjustment on the property premiums which, if achieved, could result in a credit of between £2,800 and £11,200. This adjustment is based on the percentage of claims which exceed the excess of the property policies compared to the premium paid.
- 2.7. Zurich Municipal has offered these terms with the option of a two year fixed rate deal. Our intention is to carry out a full tender during 2019/20 in time for the May 2020 renewal.

### **Broker Recommendation**

- 2.8. Independent advice has been sought from our insurance broker, Griffiths and Armour, on the renewal terms offered by Zurich Municipal. Their advice is that, overall, it is a reasonable package and that the £750,000 excess is a fair calculated risk. They recommend that the two year deal should be seriously considered as the County Council is unlikely to achieve anything significantly better by going to the market next year and the resulting terms could be worse. The limited local authority market may have concerns about the transition of claims to VIA EM and this could limit the alternative deals on offer.

### **Outstanding Issues**

- 2.9. Property services are currently revaluing 20% of the insured properties. This should be completed before the renewal and if the revised values have increased then the premium will increase proportionally. The declared figure for Works in Progress Insurance is high compared to previous years and colleagues in the Place Department are investigating to establish a more accurate estimate.
- 2.10. Zurich Municipal has proposed that the Council should move from their Fidelity policy onto a wider crime wording. The County Council's brokers are currently looking at the difference in the wording and, once this is done, the option will be considered further.
- 2.11. In addition, Zurich Municipal are offering a reduction on the liability premium of £48,000 if this is spent on their Safer Schools Package: a portal offering safeguarding advice which can be accessed by schools and parents. Discussions are taking place with colleagues in Children's Social Care to review the package and its usefulness to NCC.

**2.12.** The Council holds 5 insurance covers that are not placed with Zurich Municipal. Negotiations around renewal are ongoing but it is anticipated that they will renew on current terms, possibly with inflation increases. Details of these policies are shown below:

<b>Policy</b>	<b>Insurer</b>	<b>Estimated Premium 2018-19</b>
School Travel and Personal Accident	CHUBB	£19,000
Officer and Members Travel	CHUBB	£1,000
Computer	Allianz	£5,000
Terrorism	Lloyds	£96,000
Excess Layer*	Lloyds	£12,000
		<b>£133,000</b>

\* This policy increases the level of indemnity on the public liability policy from £50m to £60m.

## **Statutory and Policy Implications**

3. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION/S**

- 1) That a two year contract extension is agreed with the current insurer, Zurich Municipal.
- 2) That a tender process is commenced in 2019/20 for completion for the 1 May 2020 renewal.
- 3) That the excess on the public/employers' liability policies is increased from £260,000 to £750,000.
- 4) That the excess on the property and motor policies is maintained at the 2017/18 level.
- 5) That the 5 insurances not placed with Zurich are renewed with the holding insurers and taken to tender with the Zurich policies for the May 2019 renewal date.

**Nigel Stevenson**

**SERVICE DIRECTOR – FINANCE, PROCUREMENT and IMPROVEMENT**

**For any enquiries about this report please contact:**

**Anne Hunt, Risk and Insurance Manager**

### **Constitutional Comments (KK 10/4/18)**

The proposals in this report are within the remit of the Finance & Major Contracts Management Committee.

### **Financial Comments (KRP 9/4/18)**

The cost of premiums forms part of the overall cost of insurance to the County Council. Insurance costs are recharged to services in line with an agreed formula to reflect a number of factors, including claims history.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

### **Electoral Division(s) and Member(s) Affected**

- All