

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Corporate and Efficient Governance Committee – 29 October 2008

Subject: Renewal of Insurance Contracts on 1 August 2008

1. Purpose

- 1.1** This Report provides information on the renewal of the Council's Insurance Contracts on 1 August 2008.

2. Background

- 2.1** The meeting of the Corporate and Efficient Governance Committee on 26 March 2008 authorised the Executive Director of Corporate Services, in consultation with the Chair of the Corporate & Efficient Governance Committee to renew the Council's Insurance Contracts which are subject of Long Term Agreements.
- 2.2** Where it was not considered that the acceptance of terms issued by current Insurers could be justified in terms of Long Term Agreements, relevant legislation or best value, the Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee, was authorised to proceed to tender for the renewal of such insurances.
- 2.3** A report on the outcome of the renewal process and, if appropriate, tendering exercise would be submitted to a meeting of the Corporate and Efficient Governance Committee to be held in October 2008.

3. Main Issues

- 3.1** In terms of the existing Long Term Agreements, the Council offered its insurance business to the existing suppliers in May of this year.
- 3.2** Renewal terms received from Risk Management Partners/AIG (Europe) UK Limited, the Insurance Company presently underwriting West Dunbartonshire Council's main Insurance Contracts i.e. property, combined liability, motor and miscellaneous risks were within the terms of the existing 3 year Long Term Agreement. The Long Term Agreement will expire on 31 July 2010.

- 3.3** Existing rates have been maintained and have been applied to updated underwriting information i.e. wages and salaries figures, uplifted property sums insured figures etc. submitted to the Insurers as part of the renewal process.
- 3.4** The Insurers also offered renewal of the Contractor's 'All Risks' Contracts in terms of the existing Long Term Agreement which is due to expire on 31 July 2010. However, based on a significant increase in the estimate for the annual value of contracts for 2008/09, the annual premium increased to £19,967 (£12,825 annual premium for 2007/08). These contracts relate to numerous projects at various Council owned premises i.e. Kilbowie Primary School Extension, Edinbarnet Primary School Window Replacement Programme, Dalmuir Multi Storey Cladding Renewal etc.
- 3.5** Further discussions have been entered into with representatives from the Insurers, Risk Management Partners/HSB Engineering Insurance Limited to clarify assumptions within the quotation. Whilst the premium rate used is extremely competitive, an insurance premium reduction of £1,000 has been secured.
- 3.6** Furthermore, the existing Agreement allows for a premium adjustment based on the Council's annual declaration of the total contract value at the end of each insurance period i.e. 31 July. Whether this is an additional premium or return premium will depend on the actual value of the works declared as at 31 July 2008 compared with the estimated value declared in the 2007/08 renewal documentation. The Insurers have also advised that they will allow a 15% low claims rebate against the earned premium based on no additional claims being declared. Again, this is within the terms of the existing Long Term Agreement. During the period 1 August 2007 to 31 July 2008, there have been no claims pursued against this particular Contract. Discussions are ongoing with our Insurers in relation to this.
- 3.7** The Claims Management Contract allows for the claims fee rates to be increased annually by 5% and this has been reflected in the renewal terms received. However, the Claims Handling Fee has been reduced £52,100 (2007/08) to £49,120 (2008/09) to reflect the estimated reduction in the number of Public Liability Insurance Claim, based on present trends.
- 3.8** The Insurance Company who is underwriting the Group Personal Accident/Travel and Educational Excursions, ACE European Group Limited has also issued renewal terms within the terms of the existing 3 year Long Term Agreement which is due to expire on 31 July 2010.
- 3.9** Similarly, renewal terms have been received from the Insurance Company presently underwriting the Engineering Insurance/Inspection and Hired in Plant Contracts, namely Allianz Engineering.

Again, renewal has been offered within the terms of the Long Term Agreement which was entered into on 1 August 2004. The Agreement will enter its final year on 1 August 2008 and will be re-tendered with effect from 1 August 2009.

- 3.10 The Mortgage Property Blanket Insurance Policy has been renewed with the current Insurer, Zurich Municipal with effect of 1 April 2008. This is in terms of the existing 3 year Long Term Agreement which will expire on 31 March 2009. The Long Term Agreement does allow for a 2 year negotiated extension with effect from 1 April 2009. Alternatively, the Policy will be re-tendered with effect from 1 April 2009.

4. Personnel Issues

- 4.1 There are no personnel issues.

5. Financial Implications

- 5.1 Given the renewal terms which have been negotiated, there are no adverse financial implications for the authority.

6. Risk Analysis

- 6.1 Failing to adopt these proposals may have resulted in the Council paying a higher premium for a lesser service.
- 6.2 Adopting these proposals will ensure that the Council continues to make significant financial savings in years 2 and 3 of the Long Term Agreements and has secured improved insurance services whilst still maintaining flexibility in the management of its Insurance Programme.

7 Conclusions

- 7.1 The Council's Insurance Contracts which are subject to Long Term Agreements were renewed on 1 August 2008. Existing Insurers have remained on cover.
- 7.2 The Mortgage Property Blanket Insurance Policy has been renewed with the existing Insurer in terms of the Long Term Agreement with effect from 1 April 2008.

8. Recommendations

8.1 The Committee is asked to:-

- (1)** note the arrangements which have been made regarding the renewal of the Council's various Insurance Contracts within the terms of existing Long Term Agreements;
- (2)** note that the Long Term Agreement in respect of the Engineering Insurance/Inspection and Hired in Plant Contracts entered its final year on 1 August 2008 and will be re-tendered with effect from 1 August 2009;
- (3)** note that position with regard to the Mortgage Property Blanket Insurance Policy.

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Background Papers: Report by the Executive Director of Corporate Services to the Corporate and Efficient Governance Committee on 26 March 2008.

Wards Affected: All Wards