

WEST DUNBARTONSHIRE COUNCIL

Report by the Chief Executive

Corporate Services Committee : 28 March 2007

Subject: Renewal of Insurance Contracts

1. Purpose

- 1.1** To seek Committee approval to renew and, where appropriate, re-tender the Council's Insurance Contracts.

2. Background

- 2.1** The Council currently places a number of insurance policies covering matters such as its motor fleet, property, liability, officials' indemnity and miscellaneous risks. These policies are the subject of a Long Term Agreement which was entered into on 1 August 2002. The policies are written on a year to year basis and the Council is bound to agree to renew the policies for up to an aggregate period of three years provided that the Insurance Company offers renewal on broadly similar terms. The Long Term Agreement allows for a two year negotiated extension.
- 2.2** In August 2005, the Council agreed to a further two year extension to the existing Long Term Agreement.
- 2.3** This Agreement is now in its final year and the policies are due for renewal on 1 August 2007.
- 2.4** The Engineering Insurance/Inspection and Hired in Plant Contracts were re-tendered on 1 August 2004. The Council entered into a three year Long Term Agreement at that time and although the policies are written on a year to year basis, the authority is bound to agree to renew the policies for up to the aggregate three years provided the Insurer offers renewal on broadly similar terms. However, there is an option on the Council's part to request a further two year extension. Alternatively, the Contracts can be re-tendered with effect from 1 August 2007.
- 2.5** The Mortgage Property Blanket Insurance Contract was re-tendered on 1 April 2006. The Council entered into a three year Long Term Agreement at that time and although the policy is written on a year to year basis, the authority is bound to agree to renew the policy for up to the aggregate three years provided the Insurer offers renewal on broadly similar terms.

3. Main Issues

- 3.1** As the Long Term Agreement in relation to the Council's main Insurance Contracts will expire on 31 July 2007, arrangements are being made to re-tender these particular Contracts with effect from 1 August 2007.
- 3.2** In order to conform with contractual requirements, renewal of the Engineering Insurance/Inspection and Hired in Plant Contracts have been offered to the current Insurer. Renewal terms are awaited.
- 3.3** Again, in order to conform with contractual requirements, renewal of the Mortgage Property Blanket Insurance Contract has been offered to the current Insurer. Renewal terms have been received which are within the terms of the Long Term Agreement. On this basis the Contract has been renewed with effect from 1 April 2007.

4. Personnel Issues

- 4.1** There are no personnel issues.

5. Financial Implications

- 5.1** The financial implications for the Council will depend on the renewal terms received from the existing Insurer who is underwriting the Engineering Insurance/Inspection and Hired in Plant Contracts and the tender submissions which are received from potential insurance providers in respect of the main Insurance Contracts.

6. Risk Analysis

- 6.1** Failure to demonstrate commitment to risk management may result in higher insurance premiums or lack of interest in tendering for the Council's business.
- 6.2** Successful presentation on risk management may secure competitive terms with reduced insurance premiums which are acceptable to the Council in terms of best value.

7. Conclusions

- 7.1** The five year Long Term Agreement in relation to the Council's main Insurance Contracts i.e. motor, property, liability, official indemnity and miscellaneous risks will expire on 31 July 2007. Arrangements are being made for these Contracts to be re-tendered with effect from 1 August 2007.

- 7.2** There has been some stability in the insurance market and, whilst it is still evident that the Insurance Company underwriting the Council's main Insurance Contracts i.e. Zurich Municipal is committed to the public sector, it has become apparent that other potential Insurers may be interested in underwriting local authority business. This will possibly remove the monopoly position that Zurich Municipal has had in recent years.
- 7.3** As part of the re-tender process, potential insurance providers will be invited to attend a short presentation on the Council's risk management arrangements. This is with a view to demonstrating the Council's commitment to reducing risk and will allow the authority to promote itself to the Insurers and create an element of competition in the current insurance market. This process will of course be conducted within EU procurement legislation. The presentation will be delivered by the Risk Management Section in conjunction with the Council's Insurance Advisers (Marsh UK).
- 7.4** The Engineering Insurance/Inspection and Hired in Plant Contracts which are subject to a Long Term Agreement are due for renewal on 1 August 2007. The authority has recently offered to renew its insurance business with existing suppliers. Renewal terms are awaited.
- 7.5** It is anticipated that the existing Insurers may well offer renewal terms which are acceptable under the terms of the Long Term Agreement but should it be the case that the terms offered are such that the Council's best interests are serviced by a re-tendering exercise then the Committee is asked to agree that the Engineering Insurance/Inspection and Hired in Plant Contracts can be re-tendered.
- 7.6** The Mortgage Property Blanket Insurance Contract has been renewed, with effect from 1 April 2007, in terms of the three year Long Term Agreement.

8. Recommendation

8.1 The Committee is asked to:-

- (1) delegate authority to the Chief Executive, in consultation with the Convener of the Corporate Services Committee, to re-tender the Council's main Insurance Contracts and re-tender particular Insurance Contracts where this is considered to be in the best interests of the Council;**
- (2) delegate authority to Chief Executive, in consultation with the Convener of the Corporate Services Committee, to renew Insurance Contracts which are subject of Long Term Agreements and, if appropriate agree an extension;**
- (3) authorise the Chief Executive, in consultation with the Convener of the Corporate Services Committee, to accept the most economically advantageous Tenders, the outcome of which will be reported to the Corporate Services Committee; and**

- (4) note the position with regard to the renewal of the Mortgage Property Blanket Insurance Contract on 1 April 2007.

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David McMillan
Chief Executive
Date: 15 March 2007

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Background Papers: None

Wards Affected: All Wards