

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Corporate and Efficient Governance Committee – 20 April 2011

Subject: Renewal/Re-Tendering of the Council's Insurance Contracts

1. Purpose

- 1.1** To seek authority 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, combined liability, officials' indemnity, miscellaneous risks and group personal accident/travel. These policies are the subject of long term agreements which were entered into on 1 August 2007. 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 companies offer renewal on broadly similar terms. The long term agreements allow for a two year negotiated extension.
- 2.2** The engineering insurance/inspection and hired in plant contracts were re-tendered with effect from 1 August 2009. 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. Again, the long term agreement also allows for a two year negotiated extension.
- 2.3** The policies detailed in 2.1 and 2.2 above are due for renewal on 1 August 2011.
- 2.4** The mortgage property 'right to buy' block buildings insurance policy was tendered on 1 April 2006. At that time, the Council entered into a three year long term agreement. The policies are written on a year to year basis and 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. There is also an option to extend for a further two years.

2.5 In April 2009, the Council agreed to a 12 month extension to the existing long term agreement. A further 12 month extension was subsequently agreed and, on 1 April 2010, the Policy entered its final year of the existing long term agreement. Arrangements are presently being made for the mortgage property 'right to buy' block buildings insurance policy to be re-tendered.

2.6 The meeting of the Corporate and Efficient Governance Committee on 16 February 2011 authorised the Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee to re-tender the mortgage property 'right to buy' block buildings insurance policy and to accept the most economically advantageous Tender, the outcome of which will be reported to the Corporate and Efficient Governance Committee.

3. Main Issues

3.1 In order to conform with contractual requirements, the Council will submit the appropriate documentation to the existing insurance providers of motor, property, combined liability, officials' indemnity, miscellaneous risks and group personal accident/travel insurance cover in due course in order that renewal terms can be issued.

3.2 Again, in order to conform with contractual requirements, renewal of the engineering insurance/inspection and hired in plant contracts will be offered to the current insurer.

3.3 The mortgage property 'right to buy' block buildings insurance policy is in the process of being re-tendered. The insurance company which is presently underwriting this policy has agreed to a two month extension to the existing long term agreement with effect from 1 April 2011 whilst the re-tendering exercise is undertaken. The existing policy wording and cover as per the current insurance arrangements will remain in force pending finalisation of the re-tendering process.

3.4 As per the report to the Corporate and Efficient Governance Committee in February of this year, the Council will use the services provided from the City of Edinburgh Council to assist with the specifications, tendering and evaluation of the insurance renewal process.

4. People Implications

4.1 There are no people implications.

5. Financial Implications

5.1 The financial implications for the Council will depend on the terms received following the renewal/re-tendering of the Council's insurance contracts. A premium summary for the current insurance year i.e. 2010/11 is provided in Appendix 1.

6. Risk Analysis

- 6.1** Failure to demonstrate commitment to effective risk management, including proactive claims management, loss mitigation etc., may result in higher insurance premiums or lack of interest in tendering for the Council's business.
- 6.2** To control this risk, 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. Equalities, Health & Human Rights Impact Assessment (EIA)

- 7.1** No significant issues were identified in a screening for potential equality impact of this report

8. Conclusions and Recommendations

- 8.1** The Council's main insurance contracts which are subject to long term agreements are due for renewal on 1 August 2011. The Council will offer its insurance business to existing suppliers towards the end of April 2011.
- 8.2** Similarly, the Council will offer its insurance business to the insurer who is presently underwriting the engineering insurance/inspection and hired in plant contracts towards the end of April 2011.
- 8.3** It is anticipated that the existing insurers may well offer renewal terms which are acceptable under the terms of the long term agreements 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 relevant insurance contract or contracts can be re-tendered.
- 8.4** The mortgage property 'right to buy' block buildings insurance policy is in the process of being re-tendered
- 8.5** The Committee is asked to:-
 - (1)** delegate authority to the Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee, to renew the insurance contracts which are subject to long term agreements and, if appropriate, agree an extension;
 - (2)** delegate authority to the Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee to re-tender particular insurance contracts where this is considered to be in the best interests of the Council;

- (3) note that the meeting of the Corporate and Efficient Governance Committee on 16 February 2011 authorised the Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee to re-tender the mortgage property 'right to buy' block buildings insurance policy and to accept the most economically advantageous tender, the outcome of which will be reported to the Corporate and Efficient Governance Committee.

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Date: 29 March 2011

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Appendices: Appendix 1 – Premium Summary for the Insurance
Year 2010/11

Background Papers: Report by the Executive Director of Corporate
Services to the Corporate and Efficient Governance
Committee on 16 February 2011

Wards Affected: All Wards

APPENDIX 1

RISK CATEGORY	RISK	PREMIUM 2010/11 (£)
Combined Property	Material Damage - Property, Business Interruption – Additional Expenditure, Removal of Debris, Professional Fees, Money, Theft, 'All Risks', Computer	£497,196.00
	Contractors 'All Risks' - Works in Progress	£9,300.00
Casualty	Public Liability Employer's Liability Official's Indemnity Libel & Slander Public Health Act	£550,000.00
Motor	Motor Vehicles	£130,470.00
Miscellaneous	Fidelity Guarantee	£11,000.00
	Personal Accident/Travel(Educational Excursions inc)	£20,561.76
Claims Handling	Claims Handling Fee	£49,120.00
Mortgage Property	Mortgage Properties	£590,884.13
Engineering	Engineering Insurance/Inspection & Hired in Plant	£37,871.80

*Above figures exclude Insurance Premium Tax (presently rated at 5%) and VAT, where applicable