

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Corporate and Efficient Governance Committee – 27 January 2010

Subject: Renewal of 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, 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 These policies are due for renewal on 1 August 2010.
- 2.3 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 allows for a two year negotiated extension. These policies are also due for renewal on 1 August 2010.
- 2.4 The Mortgage Property Blanket Insurance Policy was re-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 With effect from 1 April 2009, the Council agreed to a further 12 month extension to the existing Long Term Agreement. The Mortgage Property Blanket Insurance Policy is therefore due for renewal on 1 April 2010.

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, liability, officials' indemnity, miscellaneous risks and group personal accident/travel 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. Renewal terms will be received in due course
- 3.3 Renewal terms in respect of the Mortgage Property Blanket Insurance Contract have been requested from the current Insurer. Renewal terms are presently awaited.

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 insurance providers underwriting the Council's Insurance Contracts. A premium summary for the current insurance year i.e. 2009/10 is provided in Appendix 1.

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 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. Conclusions & Officers' Recommendations

- 7.1** The Council's main Insurance Contracts which are subject to Long Term Agreements are due for renewal on 1 August 2010. The Council will offer its insurance business to existing suppliers towards the end of March 2010. It is likely that renewal terms will be received shortly thereafter.
- 7.2** 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 March 2010. Again, it is likely that renewal terms will be received shortly thereafter.
- 7.3** 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.
- 7.4** Renewal terms in respect of the Mortgage Property Blanket Insurance Policy are presently awaited. If the existing Insurer offers renewal terms which are acceptable under the terms of the Long Term Agreement, it is anticipated that the Contract will be renewed for a further 12 month period with effect from 1 April 2010. Arrangements will then be made for the Contract to be re-tendered with effect from 1 April 2011. Alternatively, if the terms offered are such that the Council's best interests are serviced by undertaking a re-tendering exercise at this time then the Committee is asked to agree that this Contract can be re-tendered with effect from 1 April 2010.
- 7.5** 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) authorise the Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee, to accept the most economically advantageous Tenders, the outcome of which will be reported to the Corporate and Efficient Governance Committee

Joyce White
Executive Director of Corporate Services

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Background Papers: None

Wards Affected: All Wards

APPENDIX 1

RISK CATEGORY	RISK	PREMIUM 2009/10 (£)
Combined Property	Material Damage - Property, Business Interruption – Additional Expenditure, Removal of Debris, Professional Fees, Money, Theft, ‘All Risks’, Computer	£555,556.00
	Contractors ‘All Risks’ - Works in Progress	£9,950.00
Casualty	Public Liability Employer’s Liability Official’s Indemnity Libel & Slander Public Health Act	£577,000.00
Motor	Motor Vehicles	£140,733.00
Miscellaneous	Fidelity Guarantee	£11,000.00
	Personal Accident/Travel(Educational Excursions inc)	£19,917.74
Claims Handling	Claims Handling Fee	£51,280.00

RISK CATEGORY	RISK	PREMIUM 2009/10 (£)
Mortgage Property	Mortgage Properties	£547,278.21
Engineering	Engineering Insurance/Inspection & Hired in Plant	£38,146.74

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