

# WEST DUNBARTONSHIRE COUNCIL

## Report by Executive Director of Corporate Services

### Corporate and Efficient Governance Committee – 30 September 2009

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#### Subject: Renewal/Re-Tendering of Insurance Contracts on 1 August 2009

#### 1. Purpose

- 1.1 This Report provides information on the renewal/re-tendering of the Council's Insurance Contracts on 1 August 2009.

#### 2. Background

- 2.1 The meeting of the Corporate and Efficient Governance Committee on 29 April 2009 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 in respect of the Council's Insurance Contracts which are subject of Long Term Agreements would be submitted to a meeting of the Corporate and Efficient Governance Committee to be held in September 2009.
- 2.4 The Executive Director of Corporate Services, in consultation with the Convener of the Corporate and Efficient Governance Committee, was also authorised to re-tender the Council's Engineering Insurance Programme (Engineering Insurance/Inspection and Hired in Plant Contracts).
- 2.5 A report on the outcome of the re-tendering exercise would be submitted to a meeting of the Tendering Committee to be held in July 2009.

#### 3. Main Issues

- 3.1 In terms of the existing Long Term Agreements, the Council offered its insurance business to the existing suppliers in early June 2009.

- 3.2** Renewal terms received from Risk Management Partners/AIG (Europe) UK Limited, the Insurance Company presently underwriting West Dunbartonshire Council's Property, Motor and Miscellaneous Insurance Contracts 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. property sums insured figures, current motor fleet list etc. submitted to the Insurers as part of the renewal process.
- 3.4** The renewal of the Combined Liability Contract was also offered in terms of the existing Long Term Agreement which is due to expire on 31 July 2010 and, again existing rates have been maintained. However, it should be noted that the annual renewal premium initially quoted increased substantially i.e. by £58,500. This was mainly as a result of the significant increase in the estimated 2009/10 wages and salaries figures declared as part of the renewal process, the main reason of which can be attributed to the implementation of Single Status.

Further discussions entered into with representatives from the Insurers, Risk Management Partners/AIG (Europe) UK Limited to clarify assumptions within the renewal quotation has resulted in a premium reduction of £35,650 having been secured.

- 3.5** 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. This Contract has therefore been renewed within the terms of the Long Term Agreement with effect from 1 August 2009.
- 3.6** The Insurance Company who is underwriting the Group Personal Accident/Travel and Educational Excursions, ACE European Group Limited also issued renewal terms within the terms of the existing 3 year Long Term Agreement which is due to expire on 31 July 2010. Again, having entered into further discussions with representatives from the Insurers, a 2.5% reduction in the initial renewal premium quoted has been secured. This equates to a saving of £477.
- 3.7** The Council proceeded to tender the Engineering Insurance Programme. As part of the re-tendering process, the Council also stipulated that the successful Insurance Provider must be willing to engage in discussions with the authority with a view to entering into a suitable and mutually acceptable Service Level Agreement in respect of the handling of claims which may arise in relation to the Engineering Insurance Programme.

Following finalisation of the Tender Evaluation process, it was established that the most economically advantageous Tender was received from Allianz Engineering. With a view to securing best value and maintaining flexibility in the management of the Engineering Programme, it was considered that the Council's interests would be best served by placing the Contracts with Allianz Engineering on the basis of a 3 year Long Term Agreement with the option to extend for a further 2 year period.

It was also considered to be in the best interests of the Council to increase the indemnity limit in relation to 'Own Surrounding Property' to £1,000,000 to ensure that there is no potential exposure to the authority in the event of a major incident as a result of Pressure/Mechanical Plant explosion. The additional annual premium for this increased level of cover is £435.

A Report outlining the aforementioned was submitted and subsequently agreed by the Tendering Committee on 28 July 2009. On this basis, the Engineering Insurance/Inspection and Hired in Plant Contracts was awarded to Allianz Engineering with effect of 1 August 2009.

- 3.8** The Mortgage Property Blanket Insurance Policy has been renewed with the current Insurer, Zurich Municipal with effect of 1 April 2009. This is in terms of the existing Long Term Agreement.

#### **4. Personnel Issues**

- 4.1** There are no personnel issues.

#### **5. Financial Implications**

- 5.1** Given the renewal terms which have been secured, any additional costs incurred as a result of updated underwriting information, increase in indemnity limits etc will be accommodated within the current budgetary provision. As such, there are no adverse financial implications for the authority. A premium summary for the insurance year 2009/10 is provided in Appendix 1.

#### **6. Risk Analysis**

- 6.1** Failing to adopt these proposals may have resulted in best value not being achieved by the Council in terms of premium costs, levels of cover and service provision.
- 6.2** Adopting these proposals will ensure that the Council continues to make significant financial savings during the term of the Long Term Agreements and has secured improved insurance services whilst still maintaining flexibility in the management of its Insurance Programme.

#### **7. Conclusions & Officers' Recommendations**

- 7.1** The Council's Insurance Contracts which are subject to Long Term Agreements were renewed on 1 August 2009. The existing Insurers have remained on cover.
- 7.2** The Engineering Insurance Programme was re-tendered and following finalisation of the Tender Evaluation process, the contract award was issued to Allianz Engineering on the basis of a 3 year Long Term Agreement with the option to extend for a further 2 year period.

- 7.3 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 2009.
- 7.4 The Committee is asked to 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 and the award of the Engineering Insurance Programme (Engineering Insurance/Inspection and Hired in Plant Contracts) following a re-tendering exercise to Allianz Engineering.

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**Background Papers:** Report by the Executive Director of Corporate Services to the Corporate and Efficient Governance Committee on 29 April 2009 and the Report by the Executive Director of Corporate Services to the Tendering Committee on 28 July 2009.

**Wards Affected:** All Wards

## APPENDIX 1

<b>RISK CATEGORY</b>	<b>RISK</b>	<b>PREMIUM 2009/10 (£)</b>
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

<b>RISK CATEGORY</b>	<b>RISK</b>	<b>PREMIUM 2009/10 (£)</b>
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.