

## **INSURANCE RENEWALS**

### **1 PURPOSE**

- 1.1 To seek Members approval to the renewal of the contracts for insurance from July 2003.

### **2 BACKGROUND**

- 2.1 Where a contract does not fit in to the pattern of delegations within the constitution, the matter is referred to Members.
- 2.2 The current contracts for the Council's insurance is due to expire in July 2003.

### **3 CONSIDERATION**

- 3.1 Although the renewal date is July 2003, quotations have been sought from Zurich Municipal for the renewal of insurance at an earlier date than normal. This is due to the following reasons:-
- The insurance industry is reporting that there is no capacity in the market and that renewals will be difficult this year. This follows events on 9/11 and the current position of the stock market.
  - Authorities currently not with Zurich Municipal will particularly find renewals very difficult as there is limited capacity in the market and Zurich Municipal themselves are not looking to increase their own market share.
  - Local Authority renewals tend to be bunched around April to July, as these are the traditional renewal dates. The view is that the Authority will have more opportunity to add value to the contract now than during the main insurance renewal timetable when demand of the market will be higher.
- 3.2 This Authority has always insured with Zurich Municipal or its previous company Municipal Mutual Insurance. We had sought tenders from outside and have had little response. When we have had a response, the economic option has always been to opt for Zurich Municipal.
- 3.3 In addition, unlike large Authorities who have a dedicated team to deal with insurances and insurance claims, it is essential for the ease of day to day management to keep all policies and therefore the claims process with the same insurer.

- 3.4 As part of the budget process, Members were advised that insurance premiums would increase this year. This is due to:-
- The terrorist attack on the World Trade Centre in 2001 and the lack of capacity in the insurance market, which has already been mentioned.
  - Our current property insurance cost is considered low in that we currently insure around £170M at a premium cost of £33,600. With our property base and small premiums, even minor claims have an impact on the total claims experienced and loss ratios. Our insurers are reporting that our loss ratios are a cause of concern.
- 3.5 On public liability the whole market is suffering due to the claims for free culture.
- 3.6 Law reform and change an Ogdens Tables have added to the cost of insurance management. Here claims have to be dealt with much quicker than previously and scales of compensation have increased.
- 3.7 Quotations have been received from Zurich Municipal on the following contracts:-

	£
Property	53, 887
Casualty	67, 150
Motor	6, 512
Engineering	2, 656
Additional covers	14,678
Total cost of all contracts	144,883

- 3.8 A meeting was arranged with the manager for Zurich Municipal to see what added value/price reductions could be agreed. The following were agreed.
- Our current level of indemnity for Officials indemnity is £2M. This will now be raised to £3M without additional cost.
  - The land charges limit of indemnity will be confirmed at £2M instead of £1M again at no additional cost.
  - Within the accident and assault policy, the insurance for Members relates to a stated capital sum. This is currently £75,000 and will now be increased to £100,000 without increase in premium.
  - The renewal of the public liability insurance will be decreased by £2,441.

- The employer's liability insurance will now be decreased by £488.00.
- The Council had an allowance for risk management work, which was not taken up. Previously, this had been assigned over to the Personnel Manager to undertake health and safety training. It has now been agreed that this allowance can be carried forward into the new contract period and this has a stated value of £6,900. It is likely that the Authority will direct this allowance towards either a corporate safety review or a risk audit.

3.9 Insurance contracts are a curious animal in that a contract could be agreed for five years but in effect could be broken in one year if an increase in premiums is requested. The proposal will therefore be to renew all the contracts for an initial two year period and include a clause that the contracts can be extended with the agreement of both parties.

3.10 Overall, the increase is 19% and matches the amounts included within the revenue estimates for 2003/04. The Council uses Aon Insurance Consultancy to advise the Council on matters relating to the insurance's and in normal times would undertake a tender exercise. They are aware of our request to Zurich Municipal to take early action and of the view that if any Authority can achieve renewals less than 20% increase, that in their view, there is no value in going out to tender as the alternative market is very weak.

#### **4 RESOURCE IMPLICATIONS**

4.1 The revised total cost of insurance's will be £141,954. This is provided for within the estimates for 2003/04.

4.2 A consultancy resource valued at £6,900 will be available to the Council.

4.3 Savings on the avoidance of re-tendering are estimated at £3,500.

#### **5 RECOMMENDATION**

5.1 It is proposed that the Committee **RESOLVES**

That the renewal of insurance contracts with Zurich Municipal for an initial two year term be agreed. (HFS)

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**Background Papers:**

None

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