

REPORT TO: POLICY AND RESOURCES COMMITTEE - 14 FEBRUARY 2011

REPORT ON: CORPORATE INSURANCE RENEWAL 2011

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 76-2011

1 PURPOSE OF REPORT

This report provides an overview of the insured/self-insured and risk management arrangements for the financial year 2011/12.

2 RECOMMENDATIONS

It is recommended the Committee notes the Insurance programme, self-funding and claims handling procedures for the 2011/12 financial year as detailed in this report.

3 FINANCIAL IMPLICATIONS

The financial implications of the 2011/12 Insured and self-insured programme are set out below:

Class of Insurance	Insurers	Net Premium £	Insurance Fund Deposit for Self-Insured Losses £	Estimated Total Cost £
Property	Zurich Municipal	1,050,000	750,000	1,800,000
Liabilities	Zurich Municipal/AIG	278,000	600,000	878,000
Motor	Royal Insurance	125,000	200,000	325,000
Accident Inspection	Thomson Lumsden	8,000	-	8,000
Personal Accident	AIG/Various	44,000	-	44,000
Broker Fees	Willis	4,000	-	4,000
Risk Management	-	<u>180,000</u>	<u>-</u>	<u>180,000</u>
		<u>1,689,000</u>	<u>1,550,000</u>	<u>3,239,000</u>

The net effect of the foregoing will be that the 2011/12 insurance and risk management programme has been negotiated with savings of £100,000 over the figure for 2010/11. Furthermore, this £100,000 saving will be realised in each of the subsequent 3 renewal cycles ie 2012/13, 2013/14 and 2014/15 resulting in overall savings of £400,000.

Subject to continuation of a satisfactory claims experience a further premium rebate clause (worth £125,000 in each year) has been secured which would increase the cumulative savings over the period to £775,000.

4 MAIN TEXT

The City Council's Long Term Agreement with Insurers which guarantees no increase in the rate of premium applied to insurance covers (other than in the event of catastrophic losses) was due to expire in December 2011.

In line with the very low interest rates which have prevailed within the general economy the Insurance Market has not sought significant premium increases in recent years. However, there are indications that in line with the likely direction of interest rates this situation is unlikely to continue for much longer.

Insurers were approached to determine whether they would agree to premium reductions in return for a 3 year extension to the existing Long Term Agreement. This approach was successful and has resulted in significant cumulative savings to the City Council.

Furthermore, the Councils Property portfolio includes a low claims rebate clause which generates a £125,000 refund of premiums in the event of satisfactory claims performance. This refund arrangement has been secured for each of the years of the extended agreement period.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

The subject matter of this report is concerned with one aspect of the Council's Risk Management strategy, namely the economic control of catastrophe risk, through traditional transfer to the Insurance market.

6 CONSULTATION

The Chief Executive, Depute Chief Executive (Support Services) and Head of Financial Services have been consulted in relation to this report.

7 BACKGROUND PAPERS

None.

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DIRECTOR OF FINANCE

7 FEBRUARY 2011