

# **BRIDGEND COUNTY BOROUGH COUNCIL**

## **REPORT TO CABINET**

**15 MARCH 2016**

### **REPORT OF THE CORPORATE DIRECTOR RESOURCES**

#### **RENEWAL OF INSURANCE COVER**

##### **1. Purpose of Report.**

- 1.1 The purpose of this report is to seek approval for the renewal of the Council's insurance programme and to authorise Marsh UK Ltd, as the Council's appointed insurance broker, to accept cover for the full range of policies, on behalf of the Council.

##### **2. Connection to Corporate Improvement Objectives/Other Corporate Priorities**

- 2.1 The Council must manage its finances carefully and in a way that enables resources to be directed at spending priorities and the delivery of core services. The purchase of insurance is part of careful financial and risk management.

##### **3. Background.**

- 3.1 Whilst the Council's insurance cover is subject to long term agreements with providers, the Council is required each year to agree annual premiums and associated claims handling costs for each policy. This is carried out by Marsh UK Ltd, who were appointed as the Council's insurance broker in 2013 following a tender exercise. The outcome of the renewal negotiations are shown in paragraphs 4.1 to 4.9.

##### **4. Current situation / proposal.**

- 4.1 The annual insurance negotiations have been undertaken and net premiums are detailed below.

**Table : Annual Insurance Costs**

<b>Policy</b>	<b>2015-16 £</b>	<b>2016-17 £</b>	<b>Year on Year Change £</b>	<b>Insurer</b>
Material Damage	335,193	353,646	18,453	Zurich Municipal
Personal Accident & Travel	7,834	7,660	(174)	Zurich Municipal
Engineering Insurance	4,348	3,400	(948)	Zurich Municipal
Engineering Inspection	28,321	25,598	(2,723)	Zurich Municipal
Combined Liability	216,700	216,700	0	QBE (Via RMP)
Liability Claims Handling	23,420	30,230	6,810	Gallagher Bassett
Professional Indemnity	6,600	6,600	0	QBE (Via RMP)
Fidelity Guarantee	24,000	24,000	0	QBE (Via RMP)
Motor and ULR	122,310	121,685	(625)	QBE (Via RMP)
Computers	10,095	9,729	(366)	RSA
School Offsite Activities	20,102	22,403	2,301	ACE European Group
Youth Offsite Activities	500	500	0	ACE European Group
Terrorism	11,500	10,675	(825)	Marsh
Medical Malpractice	2,496	TBA	TBA	Marketform
Porthcawl Harbour	715	613	(102)	Allianz
<b>Total</b>	<b>814,134</b>	<b>833,439</b>	<b>19,305</b>	

- 4.2 Liability Claims Handling fees are based on estimated claims numbers.
- 4.3 The Motor and Uninsured Loss Recovery costs include claims handling by Gallagher Bassett.
- 4.4 Terms for the Medical Malpractice policy have not yet been received.
- 4.5 The premiums are net figures and other than the Engineering Inspection, claims handling and part of the Terrorism insurance are subject to 9.5% Insurance Premium Tax. This is an increase from 6% in 2015-16. The Engineering Inspection, claims handling and part of the Terrorism insurance are subject to VAT. The total tax liability for Insurance Premium Tax is £75,723.
- 4.6 The Material Damage premium has risen because sums insured have increased by £38,615,327 following a revaluation undertaken by Property Department.
- 4.7 In July 2014 Bryncethin Primary School was damaged by water that escaped from a sprinkler head. Whilst that loss cost less than the policy deductible of £150,000 a decision has been made to purchase sprinkler leakage cover because of the potential for greater losses in larger buildings. The annual cost of this insurance is £3,784 and it is included within the Material Damage premium in the Table contained in paragraph 4.1 of the report.
- 4.8 Alternative quotations for the Motor insurance have been received. These would increase the existing £nil policy excess to £50,000 or £100,000. However, upon analysis the most economically advantageous excess was found to be £nil.
- 4.9 The total spend on premiums across all insurance policies and claims handling arrangements in 2016-17 is £833,439 compared to £814,134 in 2015-16. The

2016-17 Medium Term Financial Strategy (MTFS) includes a provision of £28,000 to cover the costs of the increase of Insurance Premium Tax which has increased from 6% to 9.5%. The 2016-17 MTFS also includes a £100k budget reduction to reflect the decision by the Council to reduce the annual amount put aside to meet the estimated cost to the Council of the outstanding Employer's Liability, Public Liability and Property. The net insurance budget in 2016-17 is sufficient to meet the insurance policy arrangements detailed in the table contained in paragraph 4.1 of the report, as well as including a provision to meet the costs of the Medical Malpractice cover.

**5. Effect upon Policy Framework & Procedure Rules.**

5.1 There will be no direct effect on the Policy Framework & Procedure Rules.

**6. Equality Impact Assessment**

6.1 There are no equality implications.

**7. Financial Implications.**

7.1 These are reflected in paragraph 4.9 above with the costs being met from the existing insurance revenue budget.

**8. Recommendation.**

8.1 That Cabinet approves the acceptance of the quotations in paragraph 4.1 and the renewal of the insurance programme through Marsh UK Limited as the Council's appointed Insurance Broker.

8.2 That Cabinet approves the use of delegated powers by the Corporate Director - Resources to agree the Medical Malpractice policy costs.

**Ness Young  
Corporate Director - Resources  
3 March 2016**

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**Background documents**

The Risk Management & Insurance Section has both the renewal report from Marsh UK Limited and the renewal quote provided by Zurich Municipal.