

Members' Library Service Request Form

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Originator	Karen Mcleod, Insurance & Claims Officer
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Document Title	Insurance/Broker Fee Renewals – 1 July 2016

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Additional information:

Authorised By	Jim Lamond
Designation	Head of Council Resources
Date	25/07/16

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REPORT TO: Members' Library Service

DATE:

BY: Head of Council Resources

SUBJECT: Insurance/Broker Fee Renewals – 1 July 2016

1 PURPOSE

To recommend decision for renewal of the Council's insurances for the following policies which fall due for renewal on 1 July 2016:

Property (Material Damage) and Business Interruption

Fidelity Guarantee (Fraud)

Travel & Personal Accident

Contractors All Risks (CAR)

2 RECOMMENDATIONS

- 2.1 Cabinet is asked to note the decision of the Head of Council Resources to approve the renewal for each policy on the following terms:
All premiums are subject to Insurance Premium Tax (IPT) of 9.5%. The rate increased from 6% from 1st October 2015.

2016/17

	2016/17	Annual premium excluding IPT	Annual premium including IPT	Excess per event	Annual aggregate
Property	AIG Europe via RMP	£180,434.07	£197,575.31	£250,000	£750,000
Fraud	QBE via RMP	£11,550.00	£12,647.25	£10,000	£5,000,000
Travel	AIG Europe via RMP	£5,877.00	£6,435.32	N/A	NONE
CAR	HSB via RMP	*£1,780.31	£1,949.44	£5,000	NONE

*See 2.2

2.2 The following table shows the premiums paid for 2015/16(Excluding IPT)

	2015/16	Annual premium excluding IPT	0% change since 2015/16 premium
Property		£172,791.99	4.2%
Fraud		£11,550.00	0.0%
Travel		£6,327.00	-7.6%
CAR		£4,100.00	-130%

In July 2015, IPT of 6% was applied to the above premiums.

The **Property/Material Damage and Business Interruption** premium has increased owing to addition of new housing stock and general increase to reinstatement and business interruption costs for all property insured. The premium rate charged by the insurer has remained the same since last year. It is anticipated that this premium will be reduced if insurance cover for Former St Joseph's School is reassessed to match current need.

No claims have been declared for our **Fraud Insurance**, as a result the premium remains the same as last year.

Travel Insurance & Personal Accident. There was a decrease in the number of travellers on school and business trips from 1st July 2015 to 30th June 2016. This has resulted in a reduction of premium. There has also been a reduction in claims paid in the last twelve months. There have been no claims made for Personal Accident cover.

Contractors All Risk Insurance* effectively brings together two elements of cover that are needed for works carried out to existing structures. The policy covers damage to buildings and property and liability for third party claims. It is normally signed jointly by the contractor appointed and the employer (East Lothian Council) and aims to safeguard both parties against financial loss if a claim is made.

*This is a deposit premium, adjustments to the premium are made throughout the year as and when new works commence or framework agreements put in place. This premium will increase owing to addition of further works including extension to Law Primary School commencing July 2016 at £7.6m for 92 weeks.

The policy cover will be as per the existing policies. It is recommended that the existing cover is maintained for the next year and a review of sums insured and claims experience to be carried out annually prior to renewal.

In addition to the above premiums, an annual fee of £3,300 is payable to March UK limited for Broker services. This premium is not subject to IPT.

The total of the premiums/fees payable for renewals due 1st July 2016 are £218,607.32 inclusive of IPT.

3 BACKGROUND

East Lothian Council currently has in place a number of insurance policies for major perils. Policies are tendered every three to five years and are renewed annually. The Council self fund's almost all property or liability losses with insurance cover only for critical loses. The bulk of the losses are met from the Council's insurance fund, the cost of which shall be apportioned to departments by exposure (value of assets, number of employees, budget etc) and weighted according to claims experience (number X value). All insurance premiums, consultancy fees, administration costs, statutory inspections, negotiation and payment of claims and payment of legal expenses are paid from the fund.

4 POLICY IMPLICATIONS

External Insurance is designed to protect the financial well-being of the Council in the case of unexpected loss, whilst achieving an appropriate balance between the cost of premiums and the risk the Council takes on under an insurance policy. Good risk management can help reduce reliance on external insurance so that cover is only required for major or catastrophic events. Insurance & Claims within Council Resources hold regular meetings with Risk Management and Health & Safety and will provide management information throughout East Lothian Council to identify the highest risks and costs of claims.

The new Insurance Act 2015 Act comes into force in August 2016, it will significantly impact disclosure obligations when taking out or renewing any business insurance. Under the new Act, if we don't comply with our duties, insurers will have a new range of "proportionate remedies", which could include reducing claim payments significantly if it would have entered the contract on different terms such as a higher premium. If the breach was deliberate or reckless, the insurer can avoid the contract and keep the premiums paid by the insured. We will have to disclose information known by senior management and by the individuals responsible for arranging the Council's insurance to our insurers in a "reasonably clear and accessible" manner.

We will have to carry out a reasonable search for information, which could include making enquiries of people outside our organisation, such as external consultants.

It is intended to provide each insurer with a bi-monthly report informing of any changes.

5 INTEGRATED IMPACT ASSESSMENT

The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy

6 RESOURCE IMPLICATIONS

- 6.1 Financial – As stated in the report. Cost of insurance premiums is already budgeted with an inflationary increase being applied each year for future premiums. The total cost of premiums and fees identified in Section 2.2 can be contained within approved budget levels.
- 6.2 Personnel – No change to existing personnel.
- 6.3 Other – None known at this time.

7 BACKGROUND PAPERS

- 7.1 None

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