

CABINET

Insurance Renewal 2023/24 Individual Cabinet Member Decision

Report of Insurance Officer

PURPOSE OF REPORT				
To seek authorisation to place cover with the Insurance Companies who ultimately offer the best value.				
Key Decision	x	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision	14 February 2023			
This report is public				

OFFICER RECOMMENDATIONS

1. That the Insurance Officer be authorised to renew insurance policies that continue to be tied within Long Term Agreements;
2. That the Chief Executive be authorised, in consultation with the Chief Finance Officer and Insurance Officer, to complete the procurement of any insurances that are not bound by Long Terms Agreements and award and enter into the contracts and all other necessary or ancillary agreements with the successful bidder(s).

1. Introduction

- 1.1 The Council previously entered into Long Term Agreements (LTA's) for its insurance policies. These are agreements stating that the Insurance Company concerned will not increase its rates above inflation for a specified time (usually 3 or 5 years) and, in return for a discounted premium, the Council must renew its policy each year during the agreed period. Once the LTA has come to an end, the Council is free to seek alternative quotations from the insurance market and place its business elsewhere.
- 1.2 As at renewal on 1 April 2020, the Council split its major insurance policies between RMP and Zurich Municipal. The Council's insurance brokers, Willis Towers Watson (WTW), placed these policies on the Council's behalf and explained that the majority of large commercial Insurers are becoming increasingly reluctant to underwrite public sector insurance and that the market for this business tends to be restricted with just a handful of "specialist" insurers.

2 Proposal Details

- 2.1 Zurich Municipal currently holds the Liabilities, Engineering and Fidelity Guarantee cover. They have already provided renewal terms for 2023/2024 and these show no increase in premium other than a nominal inflationary sum. As such, the LTA has not been broken and the Council is legally bound to renew cover with Zurich.

- 2.2 RMP currently hold Buildings and Motor Fleet cover, but have been unable to provide precise renewal terms at the time of writing this report, but as the LTA will cease as at 31 March 2023, it gives the Council the opportunity to seek alternative arrangements.
- 2.3 The insurance cover for Building and Motor Fleet referred to at paragraph 2.2 does not include insurance for the Council's long residential lease properties. The Council will look to renew its policies of insurance in relation these properties in the next financial year following valuation and consultation with tenants.
- 2.3 WTW have drawn attention to the fact that the increases being imposed on the property and liability policies is still a common trend that is being witnessed by numerous other Local Authorities. Liability claims, costs and incidence are still continuing to rise due to factors such as the Courts awarding higher compensation payments, Conditional Fee Agreements, lack of defensible documentation and the general "claims conscious" culture. On the property side, the extreme weather conditions that the country has been experiencing have caused an overall increase in premiums also.

3.0 Details of Consultation

3.1 N/A

4.0 Options and Options Analysis

	Option 1: Approve the recommendations as set out at the beginning of the report.	Option 2: Do not accept the recommendations.
Advantages	The Council will have full insurance cover for the forthcoming year whilst also demonstrating seeking value for money.	None
Disadvantages	None	By not placing cover, with the current LTA and an alternative insurer, the Council would not be insured and would have to "self insure". This method of risk financing has been analysed and assessed on numerous occasions in the past and was considered to be uneconomical and impractical for this size of organisation.
		The Council would be in breach of contract for not renewing insurance policies that continue to be tied into LTAs (Zurich). This could result in legal action being taken by the insurance company.
Risks	None	The current provider (RMP) will be at an advantage and are expected to increase their premiums above inflation. It would also mean the council could be stuck in an LTA at a higher premium.

5.0 Officer Preferred Option (and comments)

5.1 The preferred option is Option 1 as this would ensure the Council has full cover in place whilst achieving best value.

RELATIONSHIP TO POLICY FRAMEWORK

No direct relationship to Policy Framework, although the need for adequate insurance is inherent in protecting the Council's assets and activities.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)

No direct impact.

FINANCIAL IMPLICATIONS

Until all quotations are received, the exact financial implications are not known. The total estimate within the 2023/24 proposed budget for insurance is approximately £1.2M, which includes an inflationary increase on 2022/23. It is envisaged that the renewal will be contained within budget.

SECTION 151 OFFICER'S COMMENTS

In order to ensure adequate insurance cover and minimise the associated risks it would be beneficial for the Council to undertake a reinstatement valuation of its housing stock and leasehold properties early in 2023/24. This valuation should then be performed on a triannual basis, other than this, the Section 151 Officer has been consulted and has no further comments to add.

LEGAL IMPLICATIONS

The Council has power under section 1 of the Localism Act 2011 to enter into contracts for the provision of insurance cover to protect its assets, liabilities and risks. Furthermore, as a 'Best Value' authority for the purpose of the Local Government Act 1999, there is a duty to secure the best value for the authority.

Under the Public Contracts Regulations 2015, insurance services are classified as public service contracts. The calculation for the gross value of the business is based on the cost of the premiums. As the total value of the contract is above the PCR 2015 threshold for services (currently £213,477), a full competitive tendering process will be required.

If the procurement of insurance includes cover for the Council's residential leasehold properties (which service charges include the recovery of insurance payment via service charges), then Council will need to comply with its obligations under section 20 of the Landlord and Tenant Act 1985.

Under Section 20 of the Landlord and Tenant Act 1985, a notice of the intention to re-tender the contract must be given to leaseholders and consultation must be carried out with leaseholders in accordance with the Landlord and Tenant Act 1985 prior to award of the contract. This is imperative; otherwise, the full cost of provision of the insurance cover will not be legally recoverable from leaseholders.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no comments to add.

BACKGROUND PAPERS

N/A

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