

Portfolio Holder Concurrence - Insurance Renewal 2020

The Council tendered its insurance premium portfolio in 2016 with a mix of insurers being appointed across the various classes of insurance.

The contracts awarded in 2016 were for an initial period of 3 years with an option to extend for a further 2 years.

The option to extend for a further two years accepted as part of the renewal process in 2019.

The renewal activities undertaken in 2020 are set against the following context as stated by the Council's Brokers:

In 2019 the insurance market started to harden. The trajectory of rising prices has continued throughout 2020 and we anticipate that market conditions will remain difficult for several years yet as the global insurance market responds to Covid-19 and insurers strive to reverse underwriting losses. Public sector insurers are also seeking to write business at rates which are sustainable, and which can deliver profit. We have negotiated terms this year against this backdrop. The council's own claims experience has also played its part in renewal negotiations.

The following renewal premiums have been received from the various insurers which take effect on the renewal date of 1 October 2020.

Table 1

Summary of All Premiums	2019 Premium @ expiry (Incl IPT) £	2020 Renewal Premium Quotation (Incl IPT) £	
Combined Liability	170,879.36	170,879.36	
Property	175,450.24	201,768.00	
Terrorism	18,566.92	18,566.92	
Motor Fleet	53,074.56	53,074.56	
Cyber Liability	6,850.88	6,850.88	
Marine	3,894.21	4,400.46	
Computer Equipment & Loss of Data	3,764.15	3,764.16	
Personal Accident and Travel	1,982.40	2,478.47	
Employment Practices Liability	9,520.00	0.00	
Environmental Impairment Liability	2,709.01	2,132.32	
Property - Redoubt Fort	17,696.32	17,696.32	
Brightlingsea Lido	0.00	2,240.00	
Drone Liability	940.54	1,316.72	
Engineering	27,728.23	27,035.16	
Fidelity Guarantee	2,470.00	2,470.00	
Total	495,526.84	514,673.35	
Annual Budget		457,610.00	
Increase		57,063.35	

The 2019 premium quoted is the amount at the end of that insurance period, which is higher than that quoted at the beginning of the same insurance period as it reflects updated sums insured etc. Although an additional £16k was included in the budget in 2020/21 to meet increased insurance costs, the budget is already behind the amount required before any price increase by £38k.

In terms of the price increases proposed at this year's renewal set out in the table above, the Council's brokers have been successful in negotiating favourable renewal terms, with the only major increase being associated with property cover. Property cover has increased to reflect the adverse claims experience against this policy. Property cover for Brightlingsea Lido is also now identified separately from the main 'blanket' policy to better manage the costs and risks to both parties associated with this lease.

It is also important to highlight that it has not been possible to secure Employment Practices Liability cover. The current insurer has exited the market and insurers in general remain very cautious due to heightened risks from the COVID 19 crisis and are not willing to underwrite the risk as a standalone policy. Although the Council's Brokers will continue to seek to identify opportunities to purchase this cover at some time over the year, from the renewal date of 1 October 2020, this remains as an uninsured risk. Based on past experience, there have been various discussions on the value for money that this policy offers. The Council continues to operate good governance arrangements in response to employment practices issues which go a long way to mitigating associated risks. Therefore, at the present time, it is felt that the risk of effectively self-insuring can be managed, but this position will be reviewed when the associated insurance cover becomes available to the Council again.

All other levels of cover remain the same as 2019.

Separately from the premiums identified within the table above, the Council's liability insurers have offered a low claims rebate of 10%, if the loss ratio for claims for the 2019/20 insurance period remain below 40%. Although this will be subject to review / confirmation over the coming months, this rebate would see a reduction of £17k in the total price quoted in the table above.

Taking this into account, the total renewal cost would be £497k – this would require an increase to the budget of £40k.

However, insurance premiums are accounted for on an accruals basis with amounts falling into 2020/21 and 2021/22. Following this adjustment the total amount charged to 2020/21 would be £487k. This would require an increase to the current budget by £30k in 2020/21.

In terms of the costs falling to 2021/22, this would be subject to the major insurance retender exercise next year which may provide opportunities to manage the overall costs within the financial forecast / plan.

Last year saw an increase in the deductible for property cover - £5k to £50k. This level of deductible has been maintained in 2020 as it is too early to draw any meaningful conclusions as to the success or otherwise of this revised approach. However this will be subject to a major review going in to the insurance retender activities next summer to inform the level of cover etc. from 2021.

Although the required increase to the budget totals £30k, an element of this will fall to the Housing Revenue Account.

It is proposed to renew the Council's insurance policies for 2020 based on the proposals set out above with the additional cost of £30k being considered as part of the next Financial Performance Report.

The Council continues to work on an action plan to manage risks to the Council with the aim of being in the best position possible when a full retendering exercise is undertaken next year.

Recommendation:

- 1) That the Council renews its portfolio of insurance covers for 2020 based on the proposal set out in the table above; and
- 2) that the increased cost of £30k (compared to the 2020/21 budget) be considered as part of the Council's financial performance / long term forecast process.

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Assistant Director Finance & IT

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Date

Agreed (Concurrence):

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Portfolio Holder for Corporate Finance and Governance

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Date