

Report to Cabinet
14 January 2013
Report of Executive head of business relationship management
Subject Insurance contract extension

Item

10

KEY DECISION

Purpose

To seek approval for an extension to the existing insurance contract

Recommendation

That the existing contract for insurance is renewed, in accordance with the extension option within the current contract, for the financial year 2013/14.

Corporate and service priorities

The report helps to meet the corporate priority "Value for money services".

Financial implications

Circa £600,000 to be funded from existing budget.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Anton Bull

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Background documents

None

Report

Background

1. After a tender process, in April 2008 the council commenced an insurance contract with Zurich Municipal Insurance for an initial period of five years with an option to extend the contract for a further period of up to two years.
2. The insurance covers property, liability (public, professional, employer etc), motor, engineering and miscellaneous (fidelity, personal accident etc).
3. In April 2012 the council transferred various functions through a delegation agreement to a joint committee of Cambridgeshire and Northamptonshire County Councils, the Local Government Shared Service (LGSS). Management of insurance is part of the service provided by LGSS to the council.
4. The LGSS insurance manager has carried out an early review of the insurance with a view to determining whether to commence tender process now or exercise the extension option within the current contract.

Analysis of issues

5. Initially the LGSS insurance manager felt that there would be sufficient time to enable a review of the programme of insurance, develop a tender and conduct a tender process to achieve a contract renewal for April 2013.
6. However, after fully reviewing the issues the LGSS insurance manager has advised that it is necessary to carry out a full review of demands and needs and to gain full assurance as to data quality. This is to ensure that insurers are attracted to the risk and that there is a fully competitive process.
7. There are a number of areas that need more detailed review before a successful tender can be undertaken. These include:
 - a) Property valuations – buildings sums insured are derived from old data and have been indexed each year rather than an updated valuation taking place. A limited number of valuations have been undertaken and this indicates a level of under insurance. More valuations need to be undertaken to establish the full picture.
 - b) Leaseholder insurance – an initial review with leaseholders has identified dissatisfaction with the current insurance. Further work needs to be undertaken to research market availability, consult on changes and tender for a package of insurance for leaseholders. The LGSS insurance manager has already warned the Norwich Leaseholders Association that this is likely to see an increase in cost for leaseholders and consultation will continue throughout this process.
 - c) Housing properties – there has been a long standing decision to remove all properties below three storeys from the insurance portfolio for cost reasons. Further work needs to be conducted to fully identify potential risks for single event major losses (storm, flood etc).

- d) Fleet risks – an initial review has identified fleet risks as an area that requires attention. Particularly vehicle damage and end of life damage repairs have been high and a full fleet review needs to be undertaken to identify appropriate ways to manage these risks and insurance levels required.
- e) Significant assets - the LGSS insurance manager has recommended that it assists the presentation of a risk programme to include some surveys on significant assets held by the council. Norwich Castle is an example of such an asset where a fully detailed survey is recommended before commencing a tender process.
- f) Overall review of the insurance programme – an evaluation and optimisation of the level of claims and level of insurance funding would establish the most appropriate blend of insured and self insured risks.

Conclusion

8. There are a number of areas that require review before a full process can be undertaken to buy insurance. The existing contract allowed for an extension of up to two years. Invoking this option for 1 year (2013/14) will allow LGSS and the council to review data and risk levels and prepare a tender process that is likely to deliver better value for money rather than rushing a tender through in time for an April 2013 start.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

Report author to complete

| | |
|-------------------------|---|
| Committee: | Cabinet |
| Committee date: | 14 January 2013 |
| Head of service: | Anton Bull |
| Report subject: | Insurance contract extension |
| Date assessed: | 3 January 2013 |
| Description: | Approval of an extension to the current insurance contract for the financial year 2013/14 |

| | Impact | | | |
|--|-------------------------------------|-------------------------------------|--------------------------|---|
| Economic (please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Finance (value for money) | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | The existing contract was originally tendered to establish value for money through a competitive process. Extending the current contract for 1 year will allow the time for a full review of risks and insurance required to be undertaken so that a fully formed tender can be put to the market. This is likely to lead to better value for money than using existing data. |
| Other departments and services e.g. office facilities, customer contact | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| ICT services | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Economic development | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Financial inclusion | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Social (please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Safeguarding children and adults | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| <u>S17 crime and disorder act 1998</u> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Human Rights Act 1998 | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |

| | Impact | | | |
|--|-------------------------------------|--------------------------|--------------------------|-----------------|
| Health and well being | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Equality and diversity (please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Relations between groups (cohesion) | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Eliminating discrimination & harassment | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Advancing equality of opportunity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Environmental (please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Transportation | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Natural and built environment | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Waste minimisation & resource use | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Pollution | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Sustainable procurement | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| Energy and climate change | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |

| | Impact | | | |
|--|--------------------------|-------------------------------------|--------------------------|--|
| (Please add an 'x' as appropriate) | Neutral | Positive | Negative | Comments |
| Risk management | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> | Extending the current contract for 1 year will allow the time for a full review of risks and insurance required to be undertaken. This will allow a more detailed evaluation of risk that the council is exposed to and the level of self insurance or insurance required. |
| Recommendations from impact assessment | | | | |
| Positive | | | | |
| To achieve value for money and a sound risk management, extending the current contract will allow the time for the detailed assessments to be undertaken. The current contract allows for extension. The time that this will create should be used to undertake the detailed assessments as recommended by the LGSS insurance manager. | | | | |
| Negative | | | | |
| | | | | |
| Neutral | | | | |
| | | | | |
| Issues | | | | |