

Subject: INSURANCE RENEWAL

Status: FOR PUBLICATION

Report to: CABINET

Date: 5TH JULY 2006

Report of: HEAD OF FINANCIAL SERVICE

Portfolio

Holder: FINANCE & RISK MANAGEMENT

Key Decision: YES

Forward Plan General Exception Special Urgency "X" In
Relevant Box

1. PURPOSE OF REPORT

1.1 The purpose of the report is to seek renewal of the Councils main insurer

2. CORPORATE PRIORITIES

2.1 The matters discussed in this report are linked to and support the following corporate priorities:

- *Financial Management (Improvement)*

3. RISK ASSESSMENT IMPLICATIONS

3.1 All the issues raised and the recommendation(s) in this report involve risk considerations as set out below:

- The Council must ensure that, having made an appropriate assessment of risk, adequate provision is in place for identifiable and insurable risks.
- The 2006/07 Capital programme allocated additional resources, amongst other things to: vehicles, playgrounds, car parks, museum, cemeteries and buildings. This additional expenditure will have a significant benefit in managing the Councils exposure to the risks associated with these areas and activities.

4. BACKGROUND AND OPTIONS

- 4.1 In April 2006 we renewed our insurance policies with Zurich Municipal under the final year of our current long term agreement (LTA). The renewal incurred either no increase or just the rate of inflation increase. Zurich has now offered to give us a reduction of £2,000 in this years overall premium if we extend our current LTA for a further 2 years.
- 4.2 Last year will be remembered for frequent natural catastrophes, including an unprecedented Atlantic hurricane season, and terrorist attacks throughout the world. This has led to speculation about rising insurance premiums across many lines and reduced capacity in the market - there could be a change in market conditions at any time. The current market is therefore a difficult one in the sense that it may be on the verge of a change of direction which means that it is less predictable than a market that is clearly softening or hardening. A major loss or series of losses could trigger a change. As ever premium rates are based on claims history and the Council's approach to risk management.
- 4.3 The reality of the insurance market for the Local Government sector is that Zurich Municipal dominates the majority of this market with few alternatives for an authority the size and construction of Rossendale Borough Council. It is estimated that Zurich's share of this market is between 70 and 80%.
- 4.4 The annual premium for 2006/07 to Zurich is c. £331,000. The Council's Contracts Procedure Rules 9.3 states that in such circumstances the "Head of Service will invite written tenders from at least four contractors..." Given Zurich's dominance and lack of alternative providers is not proposed to go through the time and expense of a major tendering exercise. Members are therefore asked in these circumstances to waive standing orders.
- 4.5 The extension of the LTA for a further 2 years is in line with offers to other neighbouring authorities and ensures alignment should Local Government Reorganisation becomes a reality during this timescale.
- 4.6 The offer of a £2,000 reduction is not particularly significant in relation to the total premium itself but is the best officers have been able to negotiate.

5. COMMENTS OF THE HEAD OF FINANCIAL SERVICES

- 5.1 The recommendation offers the Council best value.

6. COMMENTS OF THE HEAD OF LEGAL AND DEMOCRATIC SERVICES

- 6.1 The Contract standing orders provide in paragraph 19.1 (i) in rare circumstances, Procedure Rules relating to contracts will not apply if (i) the appropriate Head of Service, in consultation with a Corporate Director is satisfied that there is no genuine competition. Such circumstances should then be reported to internal audit and reported to the appropriate Committee, in this case the Cabinet. This report seeks the approval of the Cabinet to the application of an exception to the normal procedure rules to apply the exception to the Contract Procedure Rules. Written Quotations from the

Contractor have been received and the Head of Finance has negotiated to obtain best value for money.

- 6.2 There is also provision in the constitution under clause 19(iii) where the Head of Service in consultation with a Corporate Director considers it desirable in the best interests of the Council that a tender be invited for the be invited for the execution of work from a contractor selected by it or negotiated with a contractor already engaged by the Council. Zurich are already engaged by the Council.

7. COMMENTS OF THE HEAD OF HUMAN RESOURCES

- 7.1 There are no direct implications

8. CONCLUSION

- 8.1 It is reasonable in the circumstances to accept the premium discount, waive standing orders and appoint Zurich for a further 2 years.

9. RECOMMENDATIONS

- 9.1 It is recommended that cabinet agrees to waive standing orders to allow Zurich Municipal to be appointed the Councils main insurer for a further two years following the end of the current LTA in March 2007.
- 9.2 That the Head of Financial Services be delegated to agree the final contractual terms.

10. CONSULTATION CARRIED OUT

- 10.1 Executive Director of Resources
10.2 Risk & Insurance Officer
10.3 Internal Audit

Contact Officer	
Name	Philip Seddon
Position	Head of Financial Services
Service / Team	Finance
Telephone	01706 252465
Email address	philseddon@rossendalebc.gov.uk

No background papers