

Awdurdod Tân ac Achub Canolbarth a Gorllewin Cymru Mid and West Wales Fire and Rescue Authority

Resources Committee - 18th April 2005

Insurance Renewal 2005-2006

Members will recall that the Service's insurance portfolio is subject to a brokerage arrangement with Marsh UK, acting on the Fire and Rescue Authority's behalf. This year, the three year agreements that had been in place with insurers for the property, combined liability and motor fleet policies, expired. Consequently, Marsh undertook a tendering exercise for the next financial year, a process which was completed in time for contracts to be awarded in readiness for the 1st April 2005, thereby meeting the Authority's legal obligations.

In preparing for the tendering exercise, officers produced a comprehensive risk management portfolio, setting out the Service's claims experience and approach to risk management across all areas of operations. Clearly, entering the competitive market, outside the terms of the previous three-year agreement, introduced a considerable uncertainty as to future premium levels, and the Authority agreed to adopt a prudent approach when setting its revenue budget for the 2005-06 financial year.

In assessing market conditions at the time of issuing tender documents, the Authority's brokers were aware of trends for Welsh Authority clients where premia were increasing by between 5% and 10%. The position for emergency services across the UK was in some cases even worse and, if such increases were applied to this Authority's policies, this would have resulted in significant additional expenditure.

Underpinning the potential for premium increases is the significant increase in salary costs following the final phase of the 2003 firefighters' pay agreement, which impacts directly on the cost exposure from compensation claims from employees, claims which in themselves have seen increases in the wider economy of some 15% per annum in recent years. Committee will recall that these factors did in fact result in a 15% premium increase in 2004-05 and since then, significant work has been undertaken by officers, in particular the Service's Health and Safety Advisor, to enhance all aspects of risk management, especially the accident reporting and investigative procedures.

These improvements were included within the portfolios provided for insurers during the tendering exercise, and this, coupled with a most effective competition that Marsh succeeded in generating within the insurance sector, has resulted in an extremely favourable package of insurance being negotiated, as set out in the table below. Committee will note that the total premia payable for 2005-06 represent a **reduction over the last financial year of 12%**, and this has been attributed by the Authority's Brokers to the *"way in which Mid and West Wales Fire successfully differentiates itself by its good track record and "hands on" approach to risk management"*.

Class of Business	2004/05 £	2005/06 £
Material Damage Package	32,175.00	37,126.03
Combined Liability	230,350.19	171,589.00
Excess Liability	13,000.00	Included in above
Motor	224,842.00	210,000.00
Personal Accident & Travel	18,815.00	19,975.00
Engineering	15,962.29	17,722.24
Marine	5,918.96	7,922.25
Uninsured Loss Recovery	3,890.00	2,970.00
Sub Total	544,953.44	467,304.52
Marsh Fee	9,950.00	10,448.00
Total	554,903.44	477,752.52
Note: 1. The premiums are net of IPT at 5%		
2. The Engineering Inspection is subject to VAT		

As Members will see, the Authority's brokers have secured a very favourable outcome, and perhaps as importantly as the reduction in premium, have once again secured "ground up" cover for both Employers and Public Liability policies. This ensures that the Authority is not required to provide an insurance contingency for any successful compensation claims pursued by either employees or the public, and provides a significant degree of financial security. Once again, Members might wish to express their appreciation to the work of Marsh UK, acting as the Authority's Brokers, and also to the Service's Health and Safety Advisor, Mr Mydrian Harries, whose combined efforts have ensured that our total insurance costs remain lower than the combined levels payable by the predecessor authorities.

RECOMMENDATIONS

- 1.) That the insurance renewal terms as set out above be approved, and**
- 2.) That the contract with Marsh UK, acting as the Authority's brokers, be continued in 2005/2006, at the fee level shown in the table.**