

REPORT TO THE:

FIRE AUTHORITY RESOURCES COMMITTEE

DATE: 31ST MARCH 2008**REFERENCE:****SUBJECT:** 2008 / 09 Insurance Renewal Report**SUMMARY (no more than 100 words):**

The Authority has recently completed a Combined Insurance Policy renewal exercise using the OJEU tendering process and the results are detailed in the attached report.

OBJECTIVES		IMPLICATIONS	
Trusted & Respect		Operational Risk Management	
More than Emergencies		Community Risk Reduction	
Saving Lives, Protecting Communities		Learning & Development	
Managing within Budget	Yes	Civil Contingencies & Resilience	
Improving Efficiency	Yes	Finance & Procurement	Yes
Resources to Priorities		H.R.	
Alternative Resources		ICT	
Managing People		CCMS	
Integrated Management Planning		Transport	Yes
Partnership Working		Health & Safety	Yes
Effective & Empowered People		Premises	Yes
		Sustainability & Environment	
		Welsh Language	
		Legal	Yes
		Governance	Yes
		Equality & Diversity	

COMMENTS/OBSERVATIONS ON THE ABOVE OBJECTIVES/IMPLICATIONS:

Following the tendering exercise the Authority has managed to secure an extremely significant reduction in overall premium cost for its combined Insurance policies which is secured for five years under a long term agreement. This has provided the Authority with a budgetary efficiency saving of over £1.3 million over the term of the agreement.

RECOMMENDATIONS:

Committee to acknowledge the report.

BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:

MAWW H&S Policy
MAWW Business Risk Management Policy, Meeting Minutes
MAWW Claims and Litigation data 2002/07
MAWW Accident data 2002/07
MAWW Vehicle Accident data 2006/07
MAWW H,S&W Consultative Committee Meeting Minutes
Institute of Directors – Effective Director Leadership Report 2006/07

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Mid & West Wales Fire & Rescue Service
Insurance Renewal Report for Resources Committee
2008 / 09 Year

Background

Discussions with the Authority's brokers, Marsh UK have taken place in respect of the insurance policies for the 2008 / 2009 financial year. The current insurance programme for the Authority was due for renewal on the 1st April 2008 and in particular the Long Term Agreements (LTA) for the majority of the covers (excluding Personal Accident) were coming to an end. It was agreed between the Authority and the Brokers that a full market exercise in respect of all covers would be conducted in accordance with OJEU Regulations.

A series of meetings were held between the Authority and our Broker's culminating in a pre-renewal meeting on the 21st November 2007 where we discussed our current insurance requirements together with our requirements for the future.

Renewal Process

Committee will be aware of the considerable fluctuations experienced by the public sector market over the last few years. This has been as a result of capacity and the merger on many of the key players in the market, linked to the natural cyclic nature of the insurance industry. While the last 12 months have shown signs that the Insurance market has stabilised, Insurers are cautious how this might change especially due to examples of recent flooding that has occurred within the United Kingdom and other events around the world.

With the above in mind during the tendering process, it was clear that the Service would need to demonstrate tangible results in aspects of business risk management if it was to influence any changes in premium costs over and above the good performance it had already obtained over the last 3 years. In fact, for this tendering exercise an opportunity arose where the Authority presented a portfolio of its business risk management performance to potential Insurers in order to compliment the process.

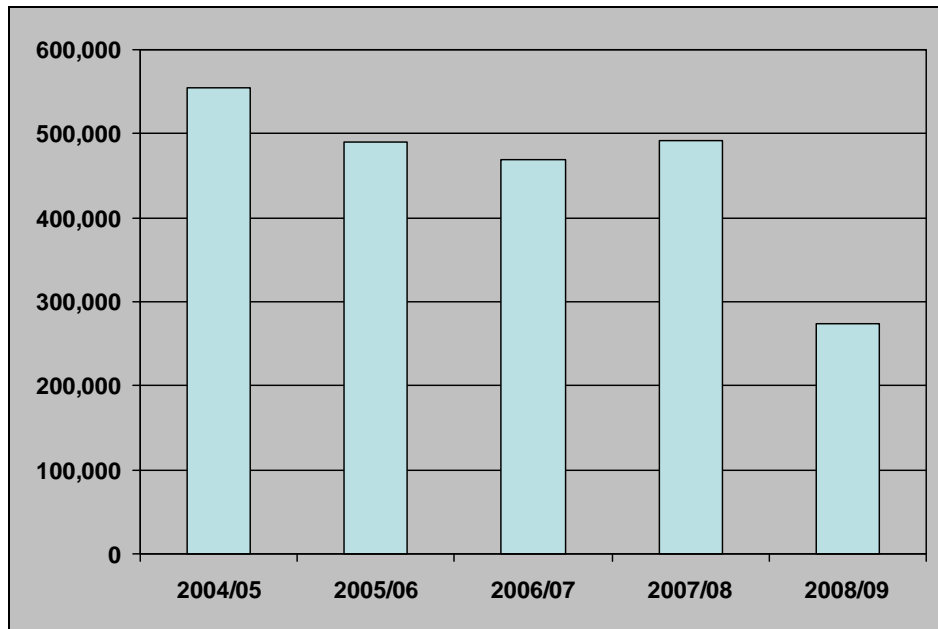
This ensured that where high performance had been achieved within the Authority, such as reducing accidents, injuries, litigation claims exposure, etc that it was suitably communicated to the potential Insurers for consideration.

The preparation of a comprehensive risk management portfolio to reflect the Service's performance was yet again crucial to any continued progress and this coupled with the effective competition that Marsh UK succeeded in generating within the insurance sector has resulted in an extremely favourable package of insurance being negotiated which is detailed below.

Committee will note that the total premia payable for 2008-09 represents a direct **reduction of 45.44% over the last financial year**. Further more, this reduction represents a saving of 50.40% against the initial budget allocation for any proposed increase in premium costs set in the 2008/09 Authority budget.

More importantly, the Authority has achieved a direct saving in excess of £1.3 million over the duration of the 5 year long term agreement. This achievement has been recognised by our Brokers as follows:

‘We believe these savings have been achieved by the excellent work the Authority has done in controlling the risks which it faces, and this was clearly and succinctly portrayed to the Insurers bidding for the business. It is paramount that investment in the area of Risk Management is continued and also budgeted for potential changes in the insurance market in the future years.’



Annual premiums savings comparison graph

Committee will note that the Authority’s brokers have secured a very favourable outcome especially in view of the fact that the premium now includes the following additional aspects:

- An increase in Professional Fees sum insured (First loss) from £500, 000 to £1,000,000
- Increased Cost of Working sum insured increased from £500, 000 to £1,000,000
- Maintain necessary insurance cover for activities involving Fire-fighters at Sea

One of the most significant changes to the Authority’s Insurance portfolio is that the Fleet Insurance will commence with a new Insurer namely Travelers which incidentally already provide the Combined Liabilities cover for the Service. It is anticipated that this new arrangement will further enhance the Authority’s management of its fleet risks over the period of the long term agreement.

Once again, our Brokers have secured “ground up” cover for both our Employer and Public Liability policies which ensures that our 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 level of financial security.

I am sure Committee will join me in congratulating the Service on its commitment to reducing its risk exposure which has been formally recognised by the Insurance market.

Mydrian Harries
Service Risk Manager