

**Report To The Resources Committee**

<b>DATE:</b> 20 April 2009	<b>REFERENCE:</b>
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**SUBJECT:**  
**Service Insurance Renewal report 09/10**

**SUMMARY:**

The attached report outlines the terms agreed with the Authority's brokers, Marsh UK, for the portfolio of insurance policies for the 2009/10 financial year. This is the 2nd year of our five year long Term Agreement agreed in 2008 between Marsh UK on behalf of the Authority and our Insurers.

OBJECTIVES		IMPLICATIONS	
More than an Emergency Service	Y	Operational Risk Management	Y
Trusted & Respected by our customers	Y	Community Risk Reduction	Y
Saving Lives, Protecting Communities		Service Control	Y
Managing within Budget	Y	Civil Contingencies & Resilience	Y
Allocate Resources to Priorities	Y	Finance & Procurement	Y
Efficiency savings	Y	People and Organisational Development	Y
Alternative funding & resources		ICT	Y
Managing People		CCMS	Y
Risk Reduction Planning		Transport	Y
Partnership Working		Corporate Risk	Y
Effective & Empowered People	Y	Estates	Y
		Sustainability & Environment	Y
		Welsh Language	Y
		Legal	Y
		Governance	Y
		Equality & Diversity	Y
		Representative Body Consultation	Y

**Comments/Observations On The Above Objectives/Implications:**

- That the insurance terms as outlined within the attached report be approved.
- Members to specifically note the prospect that future Insurance premium costs may increase in view of the current global financial climate and to ensure that funding from premium savings can be made available to meet any measured potential increases in future.

**Recommendations:**  
Members 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 2002/08  
MAWW Accident data 2002/08  
MAWW Vehicle Accident data 2006/07/08  
MAWW H,S&W Consultative Committee Meeting Minutes  
Institute of Directors – Effective Director Leadership Report 2006/07  
Combined Liability Insurance renewal exercise 07/08

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## RESOURCES COMMITTEE

### CORPORATE RISK REPORT APRIL 2009

#### INSURANCE RENEWAL REPORT – 2009/10 YEAR

##### Background

Discussions with the Authority's brokers, Marsh UK have concluded in respect of the Service's insurance policies for the 2009 / 2010 financial year. Members are informed that the whole insurance programme for the Authority was comprehensively renewed on the 1<sup>st</sup> April 2008 which included Long Term Agreements (LTA) for the majority of the covers (excluding Personal Accident). This major renewal exercise last year included a full market exercise in accordance with OJEU Regulations.

A series of meetings were held between the Authority and our Broker's over the last 5 months culminating in a final pre-renewal meeting on the 25<sup>th</sup> February 2009 where we discussed and finalised the insurance cover detail for the 09/10 year which is the second year of our five-year-agreement.

##### Renewal Process

The Committee will be aware of the significant financial savings that the Service obtained at last years combined liability insurance tender exercise which culminated in a direct premium **reduction of 45.44% over the 07/08 financial year**. Further more, this reduction represented a saving of 50.40% against the initial budget allocation for any proposed increase in premium costs set in the 2008/09 Authority budget. As was reported to Members in last year's report, the Authority achieved a direct saving in excess of £1.3 million over the duration of the 5 year long term agreement (up to 2013) providing that the nominal premium forecast rates did not exceed normal predictions.

Committee will be aware of the considerable fluctuations currently being experienced by the global financial market within the last 12 months and thankfully to date we have yet to see any impact that this may have on our Insurers business which in turn would affect our premium arrangements.

##### Renewal Outcome

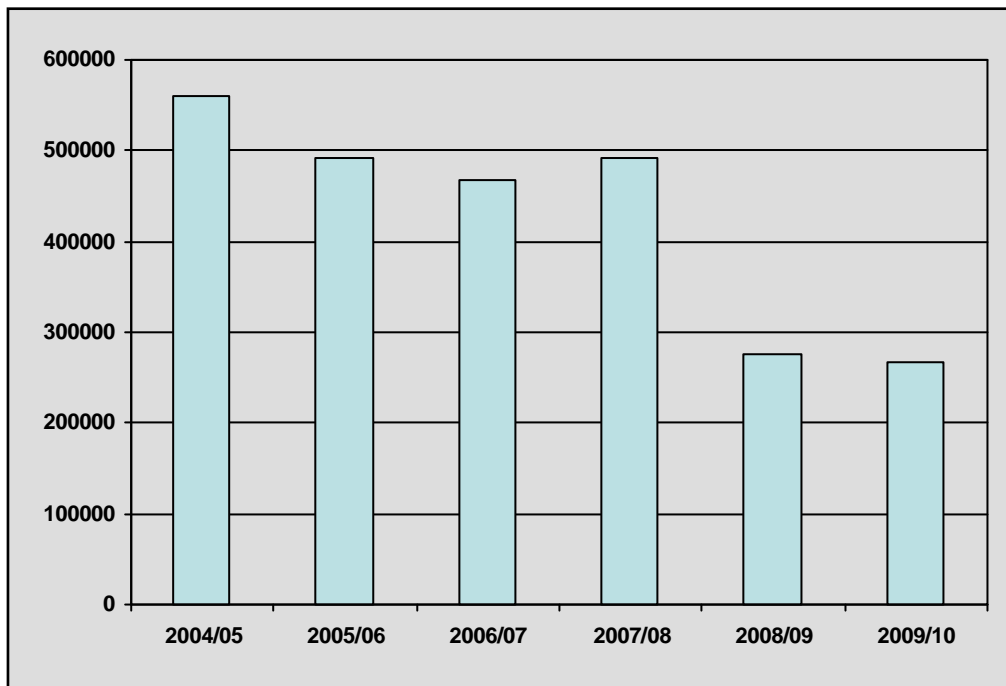
The renewal negotiations resulted in a 1.7% increase overall over last years figure of £275,926.66, the net effect of which totalled at £280,609.04 for the 09/10 year. This has resulted in an increase of £4,682.38 to the Authority against the previous years premia. Long Term Agreements had been upheld and any increase in the premium for the forthcoming year was purely due to an increase in exposures.

These additional exposures can be attributed to two main areas which are:

- An increase in the schedule of plant inspections (*new and additional work at height / rope rescue equipment that the Service has acquired*);
- An increase in New Dimension vehicle insurance cover; (*this premium cost is recoverable from WAG*);

However, members are advised that the increase in premium cost for the New Dimensions fleet in 09/10 amounted to an extra £11,250 alone, although following the recovery of the New Dimensions Vehicles Insurance premium costs from WAG the Authority's financial spend for its 09/10 Combined Liability Insurance will actually show an extremely slight but nevertheless, a **reduction** in annual premium cost for yet another year.

Therefore, the actual **net** cost to the Authority for its 09/10 Combined Liability Insurance Renewal will be £266,609.04, a saving of £6, 817.62 against last years premium figure.



My last report to Members in April 2008 stated that the Service had been advised that the Insurance market had stabilised, however, it would be remiss of the report author not to advise Members that there is a current sense of inevitability that the Service's current Insurance Premium levels will marginally increase during the next regular renewal in 2010/11 at a rate higher than currently predicted under normal forecasted terms. This in the main would likely to be attributed to the current global economic climate as opposed to any deficiency on behalf of the Service in managing its liability risks effectively. In the best interests of the Authority, Committee is strongly advised to ensure that there is clear and effective use of the net savings achieved from the last years long term renewal exercise to cover for any such eventualities such as unexpected increases in premia as part of its approach to effective business risk management.

I am sure Committee will agree that taking into account the new additional exposures that necessitated inclusion in the Service's 09/10 combined liability insurance portfolio combined with the current global financial climate the resulting financial impact upon the Authority's budget is once again extremely low and is without doubt reflective of the sound risk management processes endorsed by the Service.

The author of this report would like to use this opportunity to thank Committee for their continued support of the Service's objectives in managing its combined liability insurance portfolio.

M Harries  
Head of Corporate Risk

April 2009