

INSURANCE UPDATE AND RENEWAL 2021/22

1. 1. RECOMMENDATIONS

- 1.1 It is Recommended that Audit Committee note the contents of this report

2. INTRODUCTION AND PURPOSE

- 2.1 The Council operates a large insurance portfolio covering a wide range of insurable risks. The principal risks covered are Property, Combined Liability, Terrorism, Motor Fleet, Cyber Package, Personal Accident, Travel, Crime, Engineering and Inspection which are placed with the market via the Council's insurance broker, Aon Ltd and directly with Zurich Municipal.
- 2.2 This report updates the Audit Committee on the outcome of the 2021/22 renewal terms and gives an update on claims from 1st April 2020 to 31st August 2021.

3. BACKGROUND

- 3.1 The Council's insurance arrangements are subject to Long Term Agreements (LTAs) whereby an insurer offers a discount in return for a guarantee to renew with them for a fixed number of years. The current LTAs are with effect from 1st April 2020 to offer annually for 3 years with the option to extend.
- 3.2 We have seen the capacity drain out of the UK insurance market and the balance has tipped in favour of the insurer rather than the buyer with demand for insurance higher than its supply. There are several key factors influencing this including new solvency standards for insurers, the cost of global natural catastrophes, Covid-19 having a negative impact on insurers' financial performance, reinsurance rates rising and investment losses with interest rates at an all-time low.

4. 2021/22 RENEWAL TERMS

- 4.1 The renewal process started in October 2020. It was led by the Council's broker, Aon, with an aim to achieve the best outcome for the forthcoming insurance period, taking into account market conditions, the existing LTAs, and the Councils' claims experience. The renewal terms were presented to Hampshire Insurance Forum members (HIF) in March 2021.
- 4.2 With the exception of the Liability and Cyber, renewal terms have been offered for all policies listed in accordance with the LTA with unaltered rates. Other increases listed are attributable to amendments in our sums insured.

- 4.3 Renewal terms for the Combined Liability policy has not been offered in accordance with the LTA, insurers have acted and applied a premium rate increase of 12% in this class of insurance. Renewal terms for the cyber policy is based on increased rates and amendments to data figures and revenue. This increase has been applied to all HIF members; the increase potentially could have been more if NFDC were not members of the HIF, which demonstrates the importance of collaborative working. The Cover types and renewal prices are shown in the following table:

Cover	Current Insurer	NFDC Premium 20/21	NFDC Premium 21/22
Property Damage & Business Interruption & Property Owners	Protector	£163,518	£166,269
Right To Buy	Protector	Included in above	Included in above
Crime	ZM	£5,890	£5,890
Combined Liability	Protector	£210,716	£236,002
Motor	Protector	£189,674	£144,567
Engineering & Inspection	ZM	£33,091	£35,720
Personal Accident/Travel	ZM	£3,006	£3,204
Terrorism	RMP	£11,200	£11,316
Cyber Package	Beazley	£36,268	£44,073
Total		£653,363	£647,041

5. INSURANCE BROKER

- 5.1 In May 2021 the HIF undertook a broker tender, as the existing contract with Aon was due to expire in July 2021. Following a successful tender exercise a new broker, Arthur J Gallagher, has been appointed on a 3-year contract. The new broker fees with AJG result in a saving of approx. £2,000 per annum to the Council.

6. INSURANCE CLAIMS

- 6.1 The Council continues to work with insurers to manage each claim to determine liability and minimise claim costs where possible.
- 6.2 Motor claims data shows a trend of reversing and manoeuvring claims. NFDC is currently undertaking a slow speed manoeuvring review with our insurers and the aim is to minimise the frequency of claims in this area.
- 6.3 Employee liability claims are low in frequency and outstanding claims are in the process of being settled on best terms. Claim trends for Public Liability covers property damage and slip and trips. NFDC is currently working with Health and Safety and insurers to deliver training for the Accident Investigation process. This will help identify the root causes of these type of claims.
- 6.4 Property claims are low in frequency, the type of losses is mainly due to fire and escape of water.

7. FINANCIAL IMPLICATIONS

- 7.1 The budgets for 2021/22 were uplifted to assume increases in premiums above the LTA. As demonstrated within the table at 4.3, premiums in totality have marginally reduced, resulting in a small saving to the Council.

8. ENVIRONMENTAL MATTERS AND EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 There are no direct environmental or equality and diversity implications arising from this report.

For further information

James Clarke

Insurance and Risk Officer

Tel: 023 8028 5002

Email: James.Clarke@nfdc.gov.uk