
RENEWAL OF INSURANCE

Responsible Cabinet Member - Councillor Stephen Harker, Resources Portfolio

Responsible Director - Paul Wildsmith, Director of Corporate Services

Purpose of Report

1. The purpose of this report is to inform Cabinet as to the current position in respect of the Council's insurance contract and to consider insurance renewal proposals for next year.

Information and Analysis

2. The current contract, comprising over 30 policies covering areas such as public and employers liability, property and vehicles, was awarded to Zurich Municipal in 2003 (Minute TP90 March 2003) under a Long Term Agreement (LTA) running from 1 April 2003 to 31 March 2006, with an option to extend for a further two years, subject to satisfactory terms being offered.
3. Cabinet in 2006 (Minute C134 January 2006) approved extending the current LTA until 31 March 2008 and authorised the Director of Corporate Services to seek tenders, at the appropriate time, to renew Council insurances for 1 April 2008.
4. At this stage, the Council would normally review its insurance portfolio and seek appropriate tenders for the renewal of insurances to be in place for 1 April 2008. However, as the Authority is currently in the process of developing a shared services partnership with Stockton Borough Council, the Director of Corporate Services has taken the opportunity to investigate the potential for the joint procurement of insurance services for both Authorities.
5. Risk Management and Insurance Brokers AON were commissioned on behalf of both Authorities, following a competitive exercise, to undertake a feasibility study to explore the concept and advise on the most appropriate insurance procurement model for both Darlington and Stockton Councils.
6. Conclusions from AON as a result of the feasibility study were as follows:-
 - (a) AON are confident that in developing a consortium or joint procurement approach, as an alternative to the conventional insurance market, and other models available, potential insurance premium savings are likely to be achieved for both Councils without the need for substantial investment and the need to assume much higher levels of financial risk.

- (b) As both Authorities have LTA's that expire in 2008, Darlington on 31 March and Stockton on 31 May, Darlington Borough Council, in order to maximise the benefits from this approach should liaise with Zurich Municipal to extend their current insurance contract until 31 May 2008, on existing terms and conditions, to align renewals and LTA's with Stockton Borough Council.
 - (c) Both Local Authorities commission an actuarial review of their insurance programme structures to establish the optimum structure for each individual Authority on which tenders are to be sought.
 - (d) Darlington Borough Council, subject to the actuarial analysis, review their level of self insurance within their Liability, Property and Motor policies.
 - (e) Both Authorities invite tenders in a joint procurement exercise with a common inception date of 1 June 2008
7. As a result of the feasibility study, further meetings have taken place between Darlington Borough Council, Stockton Borough Council and AON in order to agree processes and timescales for developing a consortium approach in order to procure insurance for both Authorities. A meeting has also been arranged with Zurich Municipal, who are agreeable to extending the current insurance contract on the existing terms and conditions for a two-month period.
8. In addition, the Director of Corporate Services, within his delegated powers, and Stockton Borough Council have appointed AON to act as broker for the tender process to provide specialist advice and advise on options for the basis on which tenders will be sought, and have commissioned an actuarial review of both Authorities insurance programme structures to assist this process.
9. It has also been agreed that Stockton Borough Council will act, as the 'lead authority' for procurement administration and their Contract Procedure Rules will apply.
10. It should be noted that a final decision on whether to progress with the consortium approach will not be taken until tenders have been evaluated. Also Members should be aware that the consortium approach may lead to other Council's joining the consortium in the future.

Outcome of Consultation

11. There has been no consultation in respect of this report.

Legal Implications

12. This report has been considered by the Borough Solicitor for legal implications in accordance with the Council's approved procedures. There are no issues which the Borough Solicitor considers need to be brought to the specific attention of Members, other than those highlighted in the report.

Section 17 of the Crime and Disorder Act 1998

13. The contents of this report have been considered in the context of the requirements placed on the Council by Section 17 of the Crime and Disorder Act 1998, namely, the duty on the Council to exercise its functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent, crime and disorder in its area. It is not considered that the contents of this report have any such effect.

Council Policy Framework

14. The issues contained within this report do not represent change to Council policy or the Council's policy framework.

Decision Deadline

15. For the purpose of the 'call-in' procedure this does not represent an urgent matter.

Key Decisions

16. This is a key decision as it involves a significant change to the way the Authority proposes to procure its insurance.

Recommendation

17. It is recommended that :-
- (a) Cabinet endorse the consortium approach for the procurement of insurance with Stockton Borough Council.
 - (b) Cabinet approve the extension of the insurance contract with Zurich Municipal for the period 1 April to 31 May 2008.

Reasons

18. The recommendations are supported by the following reasons :-
- (a) The Council is engaged in developing a shared services partnership with Stockton Borough Council
 - (b) There is the potential of financial savings for both Authorities as a result of this joint procurement approach

Paul Wildsmith
Director of Corporate Services

Background Papers

Tendering Panel Report 6 March 2003
Cabinet Report 10 January 2006

George Cornforth: Extension 2324
