
CABINET - INFORMATION REPORT

Date Written	24 th June 2021
Report Author	Huw Davies
Service Area	Insurance
Exempt/Non Exempt	Non-Exempt
Committee Date	14 th July 2021

To: *Chair, Ladies and Gentlemen*

MTCBC Insurance Arrangements for 2021/22

1.0 SUMMARY OF THE REPORT

- 1.1 All existing insurance contracts were extended for one year - 2021/22, except the Property insurance contract, as more competitive terms were negotiated with an alternative insurance provider for a single year contract.
- 1.2 A tender process for all MTCBC insurance services will be carried out this financial year in readiness for 2022/23.

2.0 INTRODUCTION AND BACKGROUND

- 2.1 The Council's insurance contracts were due for competitive tender in 2020 in readiness for an inception date of the 1st April 2021. However, the advice of the Council's insurance broker – Marsh Ltd – was, where possible to seek one-year extensions to existing contracts given the current state of the Public Sector insurance market. The market has been badly affected by multiple factors, including but not limited to, the global pandemic, a hike in reinsurance rates, a reduction in underwriting capacity, increased large claims frequency particularly in relation to natural catastrophes, and low interest rates. These factors have driven up the cost of insurance premiums and continue to do so.
- 2.2 At the end of 2020 Marsh Ltd, on behalf of the Council, sought to extend existing insurance contracts with existing providers on reasonable terms for a period of one year. This was possible for all insurance contracts, save the Property Insurance contract.

2.3 Arrangements are ongoing in order that a competitive tender process is carried out in this financial year for all MTCBC Insurance Services in readiness for the policies to incept for 2022/23.

3.0 PROPERTY INSURANCE CONTRACT

3.1 Discussions with the existing provider for property insurance services began in autumn 2020. On 1st February 2021, we received the final proposal from the existing insurer in respect of an extension to the contract for property insurance services. The terms offered for 2021/22 in the sum of £381,345, was in excess of a 100% increase on the existing premium for 2020/21.

3.2 In order to determine best value, we approached another insurance provider in the Public Sector Insurance market to obtain a comparison quotation. This provider – Zurich Municipal - had finished second in the previous property tender exercise carried out in 2016. This alternative proposal was significantly more competitive and offered acceptable terms on a single year deal. Indeed, the cash saving achieved by carrying out this best value exercise exceeds £196,000, when compared with the final terms put forward by the existing insurer, as the terms agreed with Zurich Municipal are £184,800 for 2021/22.

4.0 LIABILITY INSURANCE CONTRACT

4.1 Terms for a single year extension with the existing liability insurance provider were agreed at the end of 2020. Council officers formally accepted the terms in March 2021. Aspen Insurance offered a one-year extension in the sum of £184,893, which allows for inflation given the rating has not been reviewed since 2016. The value of the liability insurance contract for 2020/21 was £161,313. Most of the premium rise relates to an increase in the Authority's wage and salaries from 2020/21 to 2021/22.

4.2 When setting a premium for liability insurance, an insurance company's underwriter main consideration is the total wages and salaries of the organisation.

5.0 FINANCIAL IMPLICATIONS

5.1 The cost of insurance premiums is budgeted for within the Council's Insurance Fund budget (£990,000 for 2021/22).

6.0 INTEGRATED IMPACT ASSESSMENT

	Positive Impacts	Negative Impacts	Neutral/Not Applicable
1. Merthyr Tydfil Well-being Objectives	0 of 4	0 of 4	4 of 4
2. Sustainable Development Principles - How have you considered the five	5 of 5	0 of 5	0 of 5

ways of working?			
<ul style="list-style-type: none"> • Long term • Prevention • Integration • Collaboration • Involvement 			
3. Protected Characteristics (including Welsh Language)	0 of 10	0 of 10	10 of 10
4. Socio-economic Disadvantage	0 of 6	0 of 6	6 of 6
5. Consultation and Engagement	Undertaken	Due to be Undertaken	Not Required
	0 of 1	0 of 1	1 of 1
6. Data and Evidence to inform the proposal	Yes		No
	0 of 1		1 of 1
7. Biodiversity and the resilience of Ecosystems	Maintained	Enhanced	Reduced
	0 of 1	0 of 1	0 of 1
Summary			
The main positive impacts are:	The main positive impact is the reduction in additional insurance costs by undertaking a value for money benchmarking exercise in respect of the property insurance contract.		
The main negative impacts are:	No negative impacts identified.		

ELLIS COOPER
CHIEF EXECUTIVE

COUNCILLOR ANDREW BARRY
CABINET MEMBER FOR GOVERNANCE
AND CORPORATE SERVICES

BACKGROUND PAPERS		
Title of Document(s)	Document(s) Date	Document Location
MTCBC Insurance Renewal Report 2021	30/03/2021	Insurance Office
Does the report contain any issue that may impact the Council's Constitution?		No

Consultation has been undertaken with the Corporate Management Team in respect of each proposal(s) and recommendation(s) set out in this report.