

Finance and Resources Committee

10.00am, Thursday 3 November 2016

Motor Fleet Insurance

Item number	7.9
Report number	
Executive/routine	
Wards	

Executive Summary

In addition to normal tender processes at relevant intervals, the Council's insurance programme is reviewed each year in advance of the renewal date of 1 October to establish that arrangements are still appropriate and if any alterations require to be made.

Despite supplying insurers with information well in advance of the renewal date, they provided terms for a change to the motor fleet all sections policy excess from £5,000 to £25,000 somewhat late in the renewal process this year.

Insurer's proposals were subjected to analysis and the outcome showed that there was a financial advantage to the Council. In consultation with the Finance and Resources Convener, it was agreed that the offer would be taken up.

This report requests that Committee approves the change of excess retrospectively.

Links

Coalition Pledges	P30
Council Priorities	CP8
Single Outcome Agreement	SO1

Motor Fleet Insurance

1. Recommendations

- 1.1 That Committee notes the report and retrospectively approves the change in the Council's motor fleet policy excess from £5,000 all sections to £25,000 all sections.

2. Background

- 2.1 The Council tendered the motor fleet insurance policy in 2013. At that point the most attractive option was a £5,000 all sections excess. An all sections excess is an excess which applies to third party claims as well as accidental damage claims for the insured's own vehicles.
- 2.2 During this year's renewal discussions, insurers offered to provide terms for an increased excess of £25,000 (all sections). This report details the analysis carried out prior to moving to a £25,000 all sections excess and seeks retrospective approval for this decision.

3. Main report

- 3.1 The Council tendered the motor fleet insurance policy in 2013. At that point the most attractive option was a £5,000 all sections excess. An all sections excess applies to third party claims as well as accidental damage claims for the insured's own vehicles.
- 3.2 During this year's renewal discussions, insurers pointed out that the Council differed from other large councils in that the level of its excess was very low in comparison. They offered to provide terms for an increased excess of £25,000 (all sections).
- 3.3 An analysis of the figures was undertaken using the Council's historical claims information for the most recent four year period. The results showed the additional cost of claims to the Council if a £25,000 all sections excess had been in force during that period and the premium was adjusted to reflect a similar reduction to that presently offered creating the most direct comparison possible. This produced a comparison indicating savings in all years. The results are shown at Appendix 1.
- 3.4 The great majority of claims fall within the current £5000 all sections excess and while Services will need to meet the additional cost of claims between £5,000 and

£25,000 for any claims which fall within this band, they will receive the benefit of the reduced premium which is charged to them.

- 3.5 Services who are more careful will also benefit since they will receive the benefit of the reduced premium and will not have to pay increased excess if they are not involved in accidents.
- 3.6 Insurance premium tax has increase from 6% to 10% this year. Unlike VAT, it is not recoverable so that paying higher premiums results in paying additional tax.
- 3.7 As the financial advantages appear significant, the excess was increased to £25,000 all sections.

4. Measures of success

- 4.1 The new excess applied from 1 October 2016 and the Council should realise the financial benefits immediately.

5. Financial impact

- 5.1 An annual saving of c£100,000 to the Council is anticipated.

6. Risk, policy, compliance and governance impact

- 6.1 The risk to the Council has been considered.

7. Equalities impact

- 7.1 None.

8. Sustainability impact

- 8.1 None.

9. Consultation and engagement

- 9.1 Not applicable.

10. Background reading/external references

10.1 None.

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11. Links

Coalition Pledges	P30 - Continue to maintain a sound financial position including long-term financial planning
Council Priorities	CP8 - A vibrant, sustainable local economy
Single Outcome Agreement	SO1 - Edinburgh's economy delivers increased investment, jobs and opportunities for all SO1
Appendices	Appendix 1 – Premium and Claims comparison

Premium and Claims comparison

Year	Total Premium and Cost of Claims to the Council at £5K	Total Premium and Cost of Claims to the Council at £25K	Savings
2013/14	£703,812	£667,137	£36,675
2014/15	£704,356	£626,493	£77,863
2015/16	£722,680	£650,748	£71,932
2016/17 *	£725,804	£616,729	£109,075

* Claims figures based on an extrapolation of the previous five year's statistics