



**SUBJECT: Insurance Retender – Staffing and IT implications**

**MEETING: INDIVIDUAL MEMBER DECISION Cabinet Member for Resources**

**DATE: 14<sup>th</sup> October 2015**

**DIVISION/WARDS AFFECTED: ALL**

**1. PURPOSE:**

- 1.1 To appraise Cabinet Member of the staffing and IT implications of the recent retender exercise for insurance cover.

**2. RECOMMENDATIONS:**

- 2.1 To note that the insurance tenders were awarded based on lowest price and arrangements are being put in place for 1<sup>st</sup> October.
- 2.2 To approve the additional staffing and IT requirements and costs as a result of the new arrangements, funded within the existing budget.

**3. BACKGROUND**

- 3.1 The Council has had a longstanding arrangement (19.5 years stemming back to last Local Government reorganisation) with Zurich Municipal, over multiple tenders, which other than minor policies, has meant they have undertaken the majority of MCC's insurance needs.
- 3.2 MCC insurance team is subsumed within the Accountancy function and comprises a Principal Insurance officer and a part time supporting officer. It is a small team, mainly because the focus has been on reactive insurance demands but also that Zurich Municipal has historically provided the claims handling aspect, which other Councils have traditionally tended to do themselves.
- 3.3 This arrangement has been very satisfactory but unfortunately the tendered price for this service has not proved as cost effective to MCC as it has traditionally been, which has necessitated consideration of new arrangements for the Council including a renewed focus on risk management aspects of the function.

3.4 The Council's current insurance policies expire on 30<sup>th</sup> September, this has necessitated a 3 month retender process and as new arrangements needed to be in place for 1<sup>st</sup> October, approval has been granted by Head of Finance to accept the lowest tender.

3.5 Provision of the new insurance cover on the basis of lowest tender has necessitated the need to consider alternative administration and IT arrangements. The Council now has to deal with several insurance companies for different aspects of cover instead of just one and the claims handling previously done by ZM and the use of a ZM system within the insurance team now has to be replaced. With this in mind the required parties have been engaged to ensure a smooth transition plan for transition from 1<sup>st</sup> October. This would involve more coordination and administration our side, and clearly setting up new admin arrangements with 3 new providers will involve considerable up front effort, and priority to resolve will focus on the 3 big insurance areas further prioritised by activity so that our focus for address will be as follows,

- Public liability
- Motor
- Property

The smaller, more specific, lots have tended to stay with original providers and will necessitate minimal changes.

3.6 In dealing with any new provider, unfortunately there has been a requirement to secure an alternate claims handling software package. Our existing package (QLAS) was provided by Zurich Municipal and is specific to their interface. It isn't transferable, but we will need to keep it to administer claims for the period that ZM has been our insurer even after we've arranged new arrangements. Unusually Insurers remain responsible for insurance if any incidents subsequently crystallise in the period when they were the active insurer, but we will be running down their imprest as we run up a similar arrangement for new insurers.

3.7 It is not preferable to have 4 distinct systems. We have undertaken some market analysis and there is one package that is regarded as the generic one used by the industry called LACHS, which commonly interfaces easily with the bigger insurance providers. Confirmation has been received that the new providers can interface with this package and an exemption certificate for the procurement has been completed.

3.8 Having shared the technical specs and an implementation plan to SRS, at present SRS haven't indicated any impediment to its introduction. They have suggested that MCC colleagues who facilitate any IT developments would need to boost it to the front of their considerations before he can consider its implementation, but early indication again suggest no great impediment from such either.

Interestingly this use of a more generic system does actually have some potential benefit longer term in not only increasing potential compatibility with other Local Authorities, but also potentially more immediately. QLAS (ZM's package) only runs

robustly on Office 2003 so if we are able to migrate QLAS activity to LACHS ultimately it would remove an impediment for SRS to decommission the Office 2003 platform.

**4. REASONS:**

4.1 Existing insurance policies expire on 30<sup>th</sup> September, necessitating the recent tender exercise to have revised arrangements in place for 1<sup>st</sup> October 2015.

**5. RESOURCE IMPLICATIONS:**

5.1 The cost of an alternate claims handling package is circa £25k.

5.2 The facilitation of revised arrangements will necessitate additional administration for insurance staff. This service will need to be bolstered, including extending the support role to fulltime and providing an additional member of staff at the same level. This should allow the changes to be effectively implemented, but importantly will also bolster the capacity of the service to move towards more proactive risk management activities rather than the traditional reactive insurance claims service. The costs involved in such are,

Scale E point 23	21,308
NI & pension	6,392
Total	27,700

Increase in Hours	
22.5 to 37	9,001
NI & pension	2,700
Total	11,701

Total	<hr/>	39,401	<hr/>
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Both these costs can be absorbed within the current budget given the new premium costs:

Annual Premia budget	£717,000
Tendered costs	£645,147
Annual IT implementation & maintenance cost	£25,000

Additional staffing cost	£39,401
Anticipated annual cost	£709,548
Saving	£7,452

**6. SUSTAINABLE DEVELOPMENT AND EQUALITY IMPLICATIONS**

None

**7. SAFEGUARDING AND CORPORATE PARENTING IMPLICATIONS**

None

**8. CONSULTEES:**

Insurance Team  
Head of Finance

**9. BACKGROUND PAPERS:**

Tender results  
Contract Exemption Form IT System

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**11. CONTACT DETAILS:**

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