

Appendix 1 on Insurance Tenders and Renewals 2011

This Appendix provides the outcome of the main insurance tender and renewal programme as prepared by Gallagher Heath (the Authority's insurance brokers) following a competitively tendered process for all policies (with the exception of those currently under a Long Term Agreement). All premiums quoted **exclude** 6% Insurance Premium Tax (non recoverable).

Material Damage and Business Disruption Cover

1. **Synopsis** – The policy covers locations with a sum insured of more than £1M and included on the insurance register. Insurance cover is arranged up to £300M in a 2 layered programme with a £1M deductible (i.e. the first £1M of each and every claim falls to the Authority). The cover is written on an All Risks basis.
2. The premium payable is based on an annual declared sum insured.
3. The property programme was tendered via an EU compliant process and 10 quotes were received. The MPA sought alternatives structures and layering of this programme. At the end of the tender process, the existing basis proved to be the most economical way of providing property insurance. Cover remains on a like for like basis.
4. A paper was presented to MPS Contracts Board on 6th September which agreed to move the primary insurance provider from Mitsui Sumitomo to Aviva and for the excess layer to be placed with ACE, XP Underwriting, Swiss Re and Aspen at the premiums listed below.
5. The purchase of terrorism cover for buildings falls outside the material damage cover and is an annually renewable contract, currently with the government backed insurance company, Pool Reinsurance Limited Company, via reinsurance arrangements made by the Primary Insurer.

Programme	Expiry premium	Renewal premium	Insurer	Difference
Layer 1 - £49M in excess of £1M	£440,850 with Mitsui	£308,750	Aviva	-£132,100
Layer 2 - £250M in excess of £50M	£150,000 with XP underwriting, QBE, Tokyo Marine, Aspen, Brit	£125,000	ACE, XP Underwriting, Swiss Re, Aspen	-£25,000
Terrorism insurance on property portfolio	£701,380 with Pool Re	£657,496	Pool Re	-£43,884
Total	£1,292,230	£1,091,246		-£200,984

6. **Outcome** – The Primary Insurance company is now Aviva with the excess layer policy split across 4 Insurance Companies. Both policies are under a new 3 year Long Term agreement, with an option to extend for 2 more years.

Contractors All Risks

7. **Synopsis** – policy covers insurance of contract works (including terrorism risks), the materials, hired in plant, personal effects and other property as well as the liabilities emanating from the project.
8. The premium is based on declared values of refurbishments.
9. The policy has a limit of £20M any one contract, a public liability extension of £10M and a property damage deductible of £50,000.
10. ACE agreed to keep the rates as per the 3 year Long Term Agreement entered in to last year so the MPA are duty bound to renew. The MPA's exposure under this policy has increased due to the planned increase in the capital programme budget for the next 12 months, which the premium is calculated on.

	Current Insurer	Expiry Premium £	Renewal Premium £	Difference £
Property limit £20M any one contract with £1M public liability layer	ACE	54,120	60,572	+6,452
Terrorism cover for property locations	Pool Re	25,701	28,430	+2,729
Excess public liability layer £9M in excess of £1M	ACE	26,125	25,250	-875
Total		105,946	114,252	+8,306

11. **Outcome**– Cover remained with ACE within the existing Long Term Agreement.