INSURANCE POLICY STABILITY AGREEMENT EXTENSION

AGENDA ITEM NO. 11

MEETING: COUNCIL

DATE: ~~22ND JULY 2026~~

REPORT BY: TOWN CLERK

1.0 Purpose of the Report

1.1 The purpose of this report is to request Members' consideration and approval of a proposed extension to the Council's main Commercial Combined Insurance Policy on the basis of a new three-year stability agreement.

2.0 Background to the Report

2.1 Members will recall that the Council previously agreed a two-year extension to the original three-year stability agreement for the main Commercial Combined Insurance Policy in June 2024. This was reported to and approved by Policy and Resources Committee in June 2024.

2.2 This resulted in a new three-year stability agreement covering the period 26th June 2024 to 25th June 2027.

2.3 A detailed update on the Council's current insurance arrangements was reported to the Annual Council Meeting in May 2026 within the 'Annual Review of the Council's Insurance Arrangements'.

2.4 It is not intended to repeat any of the information within this report.

3.0 Current Situation

3.1 Since the Annual Meeting in May, the Finance Manager has met with a representative from James Hallam Insurance Brokers to undertake the annual review of the Council's insurance cover ahead of the final year of the current three-year stability agreement.

3.2 As Members are aware from previous reports, the Council has a long-standing arrangement with James Hallam Insurance Brokers (previously WPS Insurance Brokers) who are an insurance broker specifically representing the town and parish council sector.

3.3 James Hallam Insurance Brokers have previously undertaken a tender exercise, prior to the commencement of the current agreement, for the Commercial Combined Insurance Scheme which provides a bespoke, sector specific insurance policy for town and parish councils. The tender was won by Aviva (the previous Scheme was underwritten by Royal Sun Alliance).

3.4 As highlighted in previous reports, insurance costs have increased substantially due to the volatility in the insurance market over the last couple of years, linked to global conflict and economic difficulties, and there continues to be uncertainty in the insurance market.

3.5 Insurance premiums are still increasing although not now to the extent that was experienced when the current agreement was entered into.

3.6 The Council's current three-year stability agreement for its Commercial Combined element of the insurance is due to expire on 25th June 2027.

3.7 This three-year agreement includes a rate escalator clause which allows for the rates to be increased by a maximum 5% a year over the period of the agreement.

3.8 In addition to this, the various sums insured are increased by index linking to ensure that the Council buildings and contents remain adequately insured.

3.9 The Council's representative from James Hallam, has advised that Aviva have offered a revised renewal to the Council, on the basis of a new three-year stability agreement, running from 26th June 2026 (backdated) to 25th June 2029 for the Commercial Combined Insurance Policy, effectively adding two additional years to the agreement.

3.10 This would generate a backdated saving on the cost of the 2026/27 renewal of £1,241.05, and continued stability moving forwards, via a reduced rate escalator clause of 2.5%, for the further two years to June 2029.

3.11 James Hallam have advised that, bearing in mind the current insurance market and taking into account the Council's recent claims experience, this is a generous offer and therefore one they would recommend is agreed.

3.12 This extension is offered on the same terms as the current stability agreement:

- The rate escalator of 5% would be waived for the policy commencing on 26th June 2026, with only index linking being applied, plus any changes made during the renewal process. This would result in a backdated saving on renewal of £1,241;
- The following two years would see the rate escalator set at a maximum of 2.5%, plus any increase required by index linking to ensure that the Council buildings and contents remain adequately insured.

3.13 It is difficult to project where index linking figures will be over the near future due to the ongoing economic difficulties. However the current level is around 4.4% for buildings and 3.2% for contents. These continue to be dependent on the global situation and supply issues which may change.

3.14 If the Council choose to agree to the extension of the current 3-year rate stability agreement to a 5-year agreement expiring in June 2029, it will give the Council some protection against premium increases on the Commercial Combined Scheme over the extended period.

3.15 Should the Council choose not to opt for the extension on the policy, the rate escalator of 5% plus index linking will be applied to the premium for 2025/26 and there will be no backdated saving of £1,241 applied. The Council would also likely face further increases upon renewal in a year's time.

3.16 In addition to this, Members may recall that when the Council entered into the current three-year agreement, Aviva provided the Council with a sizable discount on their 'technical underwriting rate' as a result of the Council's low claims history. This discount would continue under the proposed extended term.

3.17 However, this could be removed in 12 months if the Council decide not to extend the agreement, when the current agreement comes to its natural end. Additionally general rating may increase by more than 2.5%, so this could lead higher increases.

3.18 The Council's motor insurance policy, personal accident, events and engineering and inspection policies do not form part of the main insurance contract and are currently provided by separate providers, albeit all also through James Hallam.

4.0 Matters for Consideration

4.1 Due to the continued volatility in the insurance market, consideration needs to be given as to whether to agree to extending the current three-year agreement, which is due to expire in June 2027, by two years, expiring in June 2029.

4.2 This would generate a backdated saving on the cost of the 2026/27 renewal of £1,241.05, and continued stability for a further two years.

4.3 A summary of the current costs of the Council's insurance policies are set out in the Financial Implications section of the report for information.

4.4 Consideration needs to be given as to whether to agree to an extension of the three-year rate stability agreement, or whether to undertake a full re-tender exercise in advance of next year's renewal, by contacting other public sector insurers such as Zurich Municipal and BHIB.

4.5 The Finance Manager has previously held discussions with Durham County Council Procurement Section who have substantiated the continued volatility in the insurance market, confirming that a number of insurers are reducing cover and withdrawing cover from a number of areas e.g. for certain types of event. They also confirmed that insurance premiums continue to increase significantly. Due to this volatility, the uncertainty of the market and with insurance being such a specialised area, DCC Procurement has strongly advised against changing insurer for the foreseeable future, particularly in the current climate.

4.6 Taking all the above into account officers recommend that the option of extending the current agreement by two years, to a five-year agreement expiring in June 2029 is considered and approved by Members.

5.0 Policy Implications

5.1 Conforms to Strategic Aim 2 from the Council's Service Delivery Plan:-

"To manage the Council's finances and assets in a responsible manner".

6.0 Staffing Implications

6.1 Undertaking a full retender exercise in advance of next year's renewal would be a significant undertaking at a time when the Council is currently seeking to recruit a new Finance Manager. There would be no capacity currently to take on this additional work.

7.0 Financial Implications

7.1 The extension of the Council's insurance management arrangement with James Hallam Insurance Brokers to June 2027 will save the Council £1,241 against the current cost of its Commercial Combined Insurance Policy for the year from 26th June 2026 to 25th June 2027. This would be processed as a backdated refund.

7.2 The table below provides a summary of the current cost of the various insurance policies arranged through James Hallam and which were recently renewed on 25th June 2026:-

Policy	**2026/27 Premium**
Main Policy	£50,943
Vehicle Policy	£12,140
Engineering and Inspection	£2,022
PA and Business Travel	£2,351
Events	£4,617
Total	**£72,073**

7.3 The Council is also due to take up a new Cyber Insurance Policy at an additional cost of £2,392 at such a time as it has achieved the Cyber Essentials Accreditation.

7.4 As highlighted earlier in the report, insurance costs have increased substantially in recent years due to the volatility in the insurance market and this continues to be the case moving forward. Premiums are still increasing albeit not to the extent experienced when the current agreement was entered into.

7.5 As highlighted in paragraphs 3.9 to 3.12, the option of extending the current three-year rate stability agreement by two years to a five-year agreement is available to the Council which would continue provide some protection against premium increases on the Commercial Combined Scheme, as well as a refund of £1,241 on the current year's premium.

7.6 James Hallam have also advised that Aviva are prepared to offer £2,500 by way of a 'risk management bursary' to assist the Council with undertaking a revaluation of its building valuations, which are now due.

7.7 Should Council decide to opt for the extension to the agreement for the Commercial Combined Scheme, a Standing Order Exemption Form is attached at Appendix 1.

7.8 Approval of this exemption will ensure compliance with the Council's Standing Orders for Contracts and Procurement and the Public Contracts Regulations 2015.

8.0 Crime and Disorder Implications

8.1 None.

9.0 Equal Opportunities Implications

9.1 None.

10.0 Environmental, Biodiversity and Climate Change Implications

10.1 None.

11.0 Risk Assessment

11.1 The provision of robust and relevant insurance cover is a key tool in managing and mitigating the various risks facing the Council as identified in the Council's Risk Management Strategy.

12.0 General Data Protection Regulations (GDPR)

12.1 There is no personal or sensitive data required for this proposal which may have any implications for GDPR.

13.0 Recommendations

13.1 It is recommended that Members:-

a) Agree to extend the current three-year rate stability agreement on the Commercial Combined Insurance Policy, by a further two years, to a five-year agreement ending in June 2029, as proposed and recommended by James Hallam; the Council's Insurance Broker.