

AGENDA ITEM NO. 8

WARWICK DISTRICT COUNCIL

TO: HOUSING COMMITTEE - 25th JANUARY, 2000

SUBJECT: TENANTS CONTENTS INSURANCE

FROM: HOUSING

1. **Purpose of Report**

- 1.1 To advise Members of the investigations that have been completed into the Council providing a Tenants Contents Insurance Scheme as per the Service Plan, and to make recommendations to enable the implementation of the Scheme by May 2000.

2. **Background**

- 2.1 Experience has revealed that many tenants do not have insurance to cover their possessions in the event of burglary, fire or flood. The main reason is simply that the standard conditions of commercial insurance policies means that they are often unsuitable for families on low incomes or where the contents value is low. For example, the levels of excess payments, the high minimum sum insured levels and the inappropriate annual payment methods all work against encouraging families on low incomes to take out a Contents Insurance Policy. It is considered that the Council acting as an intermediary for the Insurance Company would help to overcome the barriers that tenants face.
- 2.2 Providing an insurance scheme would assist in improving the well being and peace of mind of tenants, as well as potentially reducing the number of public liability claims against the Council by tenants who are uninsured.

3. **Current Position**

- 3.1 In consultation with the Council's Insurance Officer, the Council's Brokers, Lambert Fenchurch were requested to trawl the market and as a result have recommended two potential insurers, *ACE/CIGNA* or *Norwich Union*. A brief outline of the schemes offered, are shown in Appendix 1. Members will note that there are no material differences in the Policies. The only difference to tenants is that they will probably be familiar with the Norwich Union branding, as opposed to ACE/CIGNA.

4. **Financial Implications**

- 4.1 Using their expertise in this field, Lambert Fenchurch have suggested that 3%-5% of tenants will take-up Contents Insurance at the initial launch and at least 10% of tenants will have joined the scheme by the end of the first year. Lambert Fenchurch have also tentatively suggested that to administer a scheme of this size will take one person 1½ days per week.

5. **Costs**

5.1 The identifiable costs are highlighted within Appendix 2.

6. **Potential Income**

6.1 The Council will receive 10% commission on the premiums collected. For example, if 10% of our tenants join the scheme, with £10,000 sum insured, the income to the Council would be £3,780.00. The main failing in this approach is that we are unable to guarantee the number of tenants who decide to join the scheme, and at what level of sum insured.

6.2 The Insurers will also fund a monthly risk management payment of £150.00, which will be used in partnership with the Council. The aim of this fund is to reduce overall loss ratios and provide enhanced scheme stability. The annual amount will therefore be £1,800.

6.3 Further to the monthly risk management payment, the Insurers have also agreed to fund an annual Loyalty Bonus. This will be paid if the total net loss ratio over the twelve month policy period is 60% or less. If this is the case then the insurer will pay 5% of the total gross collected premium as a Loyalty Bonus, but only if the scheme is renewed for a further term. Other Councils have used this Loyalty Bonus to fund safety initiatives, such as door spy holes and door entry systems.

7. **Policy Literature and Marketing Strategy**

7.1 All Policy literature will be produced and funded by Lambert Fenchurch, but in close consultation with the Council. It is recognised that to enhance participation levels, a marketing strategy, involving both the Council and the Insurance Company, is essential. This is likely to include a mailshot to all tenants, local press coverage, an article in Home News and Warwick Update, a launch ceremony, posters in Council offices, libraries etc and prize draw incentives.

8. **Consultations**

8.1 Finance, Legal and IT Business Units have all been involved during this investigative period. Other Councils have also been contacted to gain their experiences.

9. **Key Issues Strategy**

9.1 The Council is committed to quality and equality in all the services it provides. This service for Council tenants will ensure accessibility to an insurance scheme, from which otherwise they may be excluded. It also complements the Council's Anti-Poverty Strategy. The introduction of a Tenants' Insurance Scheme is within the Business Unit's Service Plan 1999/2000.

10. **Recommendations**

10.1 The introduction of the above would provide the Council's tenants with easy access to a relatively low cost and convenient Contents Insurance Scheme. It would be a relevant and important additional service provided by the Council. Therefore, Members are asked to:-

10.1.1 Approve the proposal for an initial 3 year term and to consider whether there is a preference towards ACE/CIGNA or Norwich Union.

10.1.2 Approve a change in the HMCCT Specification to accommodate the provision of this service, with additional costs falling to the Client.

10.1.3 Approve the Marketing Strategy.

10.1.4 Approve the policy decision recommendations in Appendix 3.

10.1.5 Approve the review of the scheme after it has been running one year.

Jean Hartley
Housing Services Manager

Background Papers
Nil

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**Areas in District
Affected:** All

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APPENDIX 1**PRICE AND POLICY COVER COMPARISON**

Insurer	ACE/CIGNA	NORWICH UNION
Price per £1,000 Sum Insured (includes Insurance Premium Tax).	12p.	12p.
Policy Cover		
Fire and Perils	YES	YES
Theft	YES	YES
Full Accidental Damage	YES	YES
Bogus Caller Theft for over 60's	YES	YES
Theft from Outbuildings	YES	YES
Theft of Money	£250	£250
Loss of Metered Water	YES	YES
Tenants Liability	YES	YES
Theft of Pedal Cycles (away from home)	YES	YES
Freezer Cover	£250	£250
Free Seasonal Increase in Sum Insured	YES 10%	YES 10%
Legal Help Line	YES	YES
Medical Help Line	YES	YES
Stress Help Line	YES	YES
Bereavement Help Line	YES	YES

Premiums

The weekly premiums payable for ACE/CIGNA and Norwich Union are as follows:-

SUM INSURED	WEEKLY PREMIUM
6,000	£0.72
7,000	£0.84
8,000	£0.96
9,000	£1.08
10,000	£1.20
11,000	£1.32
12,000	£1.44
13,000	£1.56
14,000	£1.68
15,000	£1.80
16,000	£1.92
17,000	£2.04
18,000	£2.16
19,000	£2.28
20,000	£2.40
21,000	£2.52
22,000	£2.64
23,000	£2.76
24,000	£2.88
25,000	£3.00

All premiums include Insurance Premium Tax and commission allowable to Warwick District Council.

Minimum and Maximum Insured

Minimum Sum Insured	£6,000	Over 60's only
Minimum Sum Insured	£8,000	All other tenants
Maximum Sum Insured	£25,000	All tenants

Claims

The claims service is a crucial part of the insurance scheme, as it will ultimately be the shop window for all existing and prospective new insured's.

McLaren Toplis Loss Adjusters, a national firm have been proposed to be used. They have dedicated a significant number of staff to exclusively handle and process Tenants Contents Insurance schemes claims.

Key service standards are as follows

- local claims advisor
- 24 hour response to a claim
- speedy claims visits
- 95% of claims will have a 10 day life cycle or less
- 24 hours emergency claims helpline

They will provide a monthly claims report to Warwick District Council, which will assist the Council in analysing trends, for example to help the Council identify security issues.

Additional Benefits

The following 24 hour Advice and Counselling Helplines can be made available to our tenants

- Personal Legal Advice
- Post Accident Trauma Counselling
- Medical Information Service
- Stress Counselling
- Bereavement Counselling
- Redundancy/Unemployment Counselling
- Debt Counselling
- Matrimonial Advice and Counselling

Set-up Costs

The set-up costs which will be funded by Lambert Fenchurch and the chosen Insurance Company are:-

- Marketing Campaign costs, including mailshot.
- Initial supply of proposal forms, claim forms and leaflets.
- Training of staff

The remaining costs which are the responsibility of the Council are:-

- Computer changes, writing procedures and staff time in setting up the scheme.

On-going Costs

Lambert Fenchurch and the Insurance Company will pay for the on-going supply of proposal forms, claim forms and leaflets.

The Council must consider the following on-going costs.

- Staffing costs at 1½ days per week, needed to maintain the scheme and deal with arrears control. It is recognised that the amount of time needed is very much an unknown quantity. To err on the side of caution the costs of 2 days at Band H would be £5,413 - £5,778 (on-costs included).

- On-going stationery, postage - £500.

The total approximate cost of running the scheme in the first year is approximately £6,000.

Accurate costs would be recorded from commencement of the scheme.

Policy Decisions - Tenant Content's Insurance

- 1. What will happen to tenants who subsequently buy their property through the Right to Buy?**

Options

The option is there for them to continue with the Insurance Scheme and this would result in additional income to the Council. However, at the moment the Council does not have the appropriate mechanisms in place to accommodate this. Investigations with other Councils have revealed that the majority do allow the insurance to continue.

Recommendations

Unfortunately at the present time, the Council are not in a position to implement this immediately. However, the Council should endeavour to allow the facility for leaseholders to continue with the insurance.

- 2. Should tenants in rent arrears be allowed to join the scheme?**

Options

This is the Council's decision.

Recommendations

Initially, only tenants with clear rent accounts will be allowed to join the scheme. It is hoped that this will be an incentive for tenants to clear their arrears. However, it is appreciated that rent arrears are often a symptom of low income, and therefore this will be reviewed after 6 months.

- 3. What happens on non-payment of premium?**

Options

The Council can set its own procedures in relation to arrears control.

Recommendations

The intention is for the Council's position to be as clear and simple as possible, which is as follows:-

Step 1 First letter sent when arrears are over £20 or 5 weeks net premium, stating insurance will be cancelled if payment is not received within 7 days.

Step 2 Second letter 14 days later, if premium has not been paid, cancelling insurance.

4. What happens when a tenant makes a claim on the Policy while in arrears of premium?

Options

The Council has the following options:

- Refer to Insurance Company for paying out.
- Defer claim until account up to date
- Refer to Insurance Company for paying out, but deduct premium arrears from total payable to the claimant.
- Decide on individual merits.

Recommendations

Again, it is important that the Council has a clear stance, which is communicated to all Policy Holders. The recommendation is that a claim will not be considered, unless the account is fully up to date. The Council should advise the tenant in writing of this and give them an opportunity to bring the account up to date. If the account is cleared within the specified time scale (2 weeks would be reasonable), the claim should be dealt with in the normal way. If not, the policy will be cancelled and claim rendered invalid.