

HOME CONTENTS INSURANCE SCHEME REVIEW

Report of the Head of Operations (Income Management & Customer Services)

1. SUMMARY

- 1.1 Since Derby City Council first decided to offer Home Contents Insurance Scheme (HCIS), the market place has changed. Many companies now offer pay as you go insurance options at very little cost. As with utilities you get the best deal by shopping around in the market place.
- 1.2 Over the past 5 years the uptake of the Home Contents Insurance policy we offer has declined. Only 6% of our current tenants opt to join the scheme.
- 1.3 We currently have 841 tenants on the Scheme. This number varies between 840 and 850 out of approximately 13,200 tenants.

2. RECOMMENDATION

- 2.1 That Derby Homes stops providing a Home Contents Insurance Scheme.

The commission earned for providing the service no longer covers the administration costs and tenants are paying higher insurance premiums than they need to for the same policy which they could obtain directly with the current supplier independently of Derby Homes or seek alternative insurance options by shopping around the market place. If approved an exit strategy would be put in place and implemented, with the scheme ending 31 July 2018. Derby Homes will signpost existing customers on how they can obtain other insurance.

3. REASON(S) FOR RECOMMENDATION

- 3.1 The cost of running this scheme is not proving to be value for money.

Commission payments earned by Derby Homes: £12,854.57
Cost of running the scheme: £13,157.61
Loss: £303.04

- 3.2 Just 841 tenants are on the scheme out of 13,200 tenants despite scheme promotion through direct mailing, website, Derby Homes News etc.
- 3.3 287 tenants have cancelled their policy over the last 5 years. We asked them why, these are the main reasons given:
 - Better Insurance deal offered by their bank
 - Found a cheaper provider

- Want a policy not linked to rent payments
 - Cannot afford Insurance anymore
 - Discount offered by other providers for paying by Direct Debit
 - Discount offered for paying in lump sum
 - Receive less benefit than used to, so has less disposable income
 - Believe they can claim through Derby Homes for damage rather than needing their own insurance.
 - Have been paying for years but never claimed.
- 3.4 The average of tenants on the scheme is 64 years old which suggests that taking HCIS through this scheme has been their historical first choice, rather than shopping around for the best deal in the market place.
- 3.5 If a tenant who is on the HCIS has rent arrears there insurance cover is suspended. This would not be the case if they obtain this independently of Derby Homes.
- 4. MATTER FOR CONSIDERATION**
- 4.1 417 tenants are paying a higher premium by taking insurance via Derby Homes. If they went directly to the provider the same policy would cost less.
- 4.2 10% cheaper for yearly payers.
- 4.3 5.2% cheaper for monthly Direct Debit payers.
- 4.4 Can a tenant go directly to our current provider?
Yes, and be offered the same policy.
- 4.5 Could our tenants automatically transfer over to current provider?
Yes, existing policyholders would be able to transfers keeping the cover and insurer the same.
- 4.6 Is there any legal process we would need to do?
No, tenants would be informed in writing of the change in administration, the Insurance provider will remain the same.
- 4.7 How many tenants who pay for insurance only pay weekly in cash?
Pay Point have a minimum transaction of £3.00, therefore tenants tend to pay fortnightly or monthly.
- 4.8 Would our tenants benefit from the change?
Yes, the majority would gain financially due to lower premiums and being able to take advantage of the discounts offered for paying by direct debit or yearly in advance.
- 4.9 What assistance can the insurance company provide us if we switch to Arm's Length Management?
Guidelines between DH & Supplier to ensure current balances were transferred correctly. Initially our involvement would be high but decline over time.
- 4.10 Stopping the scheme would create a budget pressure of 0.5 FTE at scale 2/3 post in Rental Control from 18/19.

5. OTHER OPTIONS CONSIDERED

- 5.1 If we continue to offer a HCIS this would require full procurement. A waiver is in place for the current contract until 31.3.18.

IMPLICATIONS

6. CONSULTATION IMPLICATIONS

- 6.1 Operational Board

7. EQUALITIES IMPLICATIONS

- 7.1 Completed (see Appendix 3).

The areas listed below have no implications directly arising from this report:

Environmental

If Operational Board Members or others would like to discuss this report ahead of the meeting please contact:

Jackie Westwood, Head of Operations (Income Management & Customer Services)

Background Information: Appendix A - Breakdown of Costs

Supporting Information: Appendix B – Profile of Tenants using Scheme

APPENDIX 1

Breakdown of Costs

	Daily	Weekly	Monthly	Yearly
Salary Day to Day				
Scale 2/3 2 days per week	£86.20	£172.40		£8,964.80
1 day per month on stats			£86.20	£1,034.40
DD Maintenance Ins Only	£112.07			£448.28
Mail Merge Yearly 2 days	£86.20	£172.40		£172.40
Two this year due to Tax increase	£86.20	£172.40		£172.40
Cost of printing & Postage (CDP)				£639.77
Hybrid Mail (6 Pages) included corticated & Schedule				£520.00

Note - new law

Every time the premium changes we have to issue a new Insurance Certificate itemising what's covered by the policy.

Cost of raising Cheque - Accounts team monthly		£15.00	£180.00
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Promotions Staff Time estimated at 1 day per quarter			£344.80
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News letter

Training Staff

Additional costs not factored in cost of payments made at Pay point for Insurance only 31p transaction

183 tenants paying monthly (183 x0.31x12)		£56.73	£680.76
If tenants paid weekly the cost would be £2723.04			

Total Cost of running the scheme			£13,157.61
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Commission received April 16 to March 17			£12,854.57
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Loss to Derby Homes			£303.04
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Profile of Tenants on the Scheme

Out of the current 841 on the Insurance Scheme

778 tenants have a premium under £3.50 per week
63 over £3.50 ranging up to £7.81 per week

353 pay their premium by direct debit

488 choose other payment options of these:

183 pay for insurance only, of which:

- 64 tenants have paid the years premium in advance
- 105 are in credit
- 14 are in arrears
- 178 weekly premiums are less than £3.50 per week

109 pay part rent of which

- 72 are in credit
- 2 zero balance
- 35 arrears

196 pay full rent

- 116 are in credit
- 6 zero balance
- 74 in arrears

Average of tenants on the scheme 64 years old