

CITY BOARD
13 OCTOBER 2011

ITEM A14

REVIEW OF NON CORE ACTIVITY – TENANTS CONTENTS INSURANCE

Report of the Director and Company Secretary

1. SUMMARY

- 1.1 This scheme has been in operation since the mid 1990's and aims to make a low cost contents insurance service available to tenants. Tenants obtain the cover which is backed by a block insurance policy with Aviva taken out by Derby Homes. The agents are Aon Ltd. Insurance cover can be selected in a range from £10,000 (£8,000 for pensioners) to £25,000 and premiums can be paid weekly, being collected through the Academy system. Appendix 1 gives details of the current premiums for the various bands of cover available.
- 1.2 The costs are not eligible for Housing Benefit.
- 1.3 Derby Homes receives a commission, currently 11.58%, of the premiums collected net of the insurance tax together with an annual bonus.
- 1.4 As this is a non-core activity the company needs to decide whether the scheme should be continued for a further period from 1 April 2012.

2. RECOMMENDATION

- 2.1 To note the contents of this report and give the City Board's opinion as to whether the scheme should be continued.
- 2.2 If the scheme is to be continued, to consider the nomination of a City Board member to advise on the re-tender and to take part in the evaluation panel to decide on the successful tender.
- 2.3 To agree that this alone should operate on a break even basis, but also make a contribution to Derby Homes' overheads.

3. MATTER FOR CONSIDERATION

Operation of the scheme

- 3.1 The scheme is brought to the attention of tenants at sign up and is advertised by posters in the Local Housing Offices and periodically in the Derby Homes News. Tenants are also reminded of the existence of the scheme in the annual rent variation letters. It is administered by the Rental Control Section of the Finance Department under the leadership of Barbara Peach.

3.2 The administration is largely handled by one member of staff as part of their job and this includes the following:

- Sending out application forms following enquiries from interested tenants
- Processing the returned forms and sending out acceptance letters enclosing the policy documents and confirming the insurance cover and the weekly premiums due
- When tenants need to make a claim, a claim form is sent out to them with instructions for it to be forwarded to the loss adjusters
- When tenants leave the scheme a letter is sent out confirming the cancellation of the insurance

3.3 No insurance advice is given and Derby Homes is not involved in the settlement of claims.

Membership of the scheme

3.4 Current membership is as follows:

	At 31.03.10	Joiners in year	Withdrawals in year	At 31.03.11
Pensioner tenants	254	11	(56)	209
Other tenants	915	121	(102)	934
Total membership	1,169	132	(158)	1,143

3.5 The turnover represents a fall in the pensioner members of 45 and an increase in other tenant members of 19, being a net reduction of 26.

3.6 Of the membership of 1,143 at 31 March 2011, 922 members have cover of between £8,000 and £15,000 and 744 of those members only have the standard cover, excluding accidental damage.

3.7 Four hundred and fifty eight members have full housing benefit and therefore do not pay rent together with their insurance premiums. This category includes 136 pensioner members.

3.8 **Financial cost of running the scheme**

	£	£
Commission income – year ended 31.03.11		17,000
Salary and oncosts of scale 2 Rental Control Clerk	(12,500)	
Direct overheads		
Postage and stationery etc	(1,500)	
Banking costs	<u>(3,500)</u>	
		(17,500)

Deficit before corporate overheads	(500)
Corporate and management overhead) 20% on costs)	(3,500)
Net cost of scheme	(4,000)

- 3.9 The rental control salary cost is estimated on the basis of 70% of one scale 2 Clerk and the postage and stationery costs are on the basis of 3,000 letters per year.
- 3.10 The banking costs are estimated on the number members who pay weekly premiums only and not as part of another rental payment.

Advantages for tenants

- 3.11 As noted above, 922 of the current membership (81%) have opted for cover of £15,000 or less without accidental damage and at this level our premiums are competitive.
- 3.12 For example the cheapest insurance found for £15,000 of cover excluding accidental damage was £111.85 plus £13.22 for a monthly payment facility, making a total of £125.07 per year. As can be seen from Appendix 1, the equivalent cost from our scheme with a weekly payment facility is £109.92 per year, 12% cheaper. Most quotations obtained for this level of cover were considerably in excess of our premium.
- 3.13 Research indicates that our premiums may not be as competitive for insurance cover in the range £15,000 to £25,000. However as noted above 81% of the membership take cover at the lower levels.
- 3.14 Whilst there are exclusions and limits to various items included in the cover, there is no general excess for the tenant to pay.
- 3.15 Tenants are able to pay the premiums on a weekly basis together with their rent, with no additional finance charge. This facility is not available on policies arranged individually.
- 3.16 The fact that 458 members, including 126 pensioners, are on full benefits indicates that the scheme is used by lower earners.

Procurement issues

- 3.17 This scheme has never been put out for re-tender and has in recent years been renewed on an annual basis. The next renewal date is 1 April 2012.
- 3.18 The gross premiums on which the Derby Homes commission is calculated are in excess of £100,000 per annum, although the commission is only £17,000. There is some doubt therefore whether the current arrangements are within EU procurement rules.
- 3.19 In view of this it is proposed that if the continuance of the scheme is approved, it will be re-tendered in accordance with OJEU.

Conclusion

- 3.20 The commissions received are such that the cost of running this scheme is fairly minimal and it provides a useful benefit to tenants, especially at the lower levels of cover.
- 3.21 In the event that the scheme is discontinued it is likely that a substantial number of the current members would cease to take out contents insurance.
- 3.22 Operation of the scheme can be seen as a valuable aspect of customer service.
- 3.23 In view of the above Derby Homes' Senior Management Team have approved the continuance of the scheme subject to being advised that the City Board is also in favour of continuance and subject to a satisfactory re-tendering exercise.
- 3.24 The re-tender could cover the following options:
- Continuance of the scheme on a similar basis to the current scheme.
 - Enhancement of the current scheme at no additional cost to Derby Homes but with added benefit to tenants.
 - Continue the current scheme but include a future requirement for full Housing Benefit members to pay premiums by direct debit or standing order. This would take approximately £3,500 out of the costs but would lead to a fall in the number of low earners using the scheme.
 - If during the re-tender evaluation, it becomes clear that the proposals are not satisfactory, a further option would be to discontinue the scheme as it is currently run, possibly requesting an insurance company to deal directly with tenants.

4. CONSULTATION IMPLICATIONS

As noted in this report

5. FINANCIAL AND BUSINESS PLAN IMPLICATIONS

As noted in this report

6. EQUALITIES IMPACT ASSESSMENT

An EIA has been completed and is attached as Appendix 2.

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

Legal and Confidentiality
Council
Personnel
Environmental
Health & Safety
Risk
Policy Review

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or Phil Davies, Chief Executive, phil.davies@derbyhomes.org – Phone: 01332 888528

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Background Information: N/A

Supporting Information: N/A



"New-for-Old" insurance

All your home contents are covered by the policy on a 'new for old' basis, with the exception of linen and clothing which will be replaced at their current cost, less an amount for wear and tear. When you are working out the cost of your insurance, you will need to work out how much it will cost to replace the full contents. **If you under value your contents this will mean that if you claim you will not get the full value of your claim.**



Special low, minimum sums insured

The lowest amount that can be insured is:
£8,000 if you are over the age of 60 and furnished tenancies.
£10,000 for all other people

Cost of Insurance

SUM INSURED	WEEKLY COST STANDARD COVER	WEEKLY COST STANDARD & ACCIDENTAL DAMAGE COVER	SUM INSURED	WEEKLY COST STANDARD COVER	WEEKLY COST STANDARD & ACCIDENTAL DAMAGE COVER
£8,000	£1.22	£1.53	£17,000	£2.60	£3.25
£9,000	£1.38	£1.72	£18,000	£2.75	£3.44
£10,000	£1.53	£1.91	£19,000	£2.90	£3.63
£11,000	£1.68	£2.10	£20,000	£3.06	£3.82
£12,000	£1.83	£2.29	£21,000	£3.21	£4.01
£13,000	£1.99	£2.48	£22,000	£3.36	£4.20
£14,000	£2.14	£2.67	£23,000	£3.51	£4.39
£15,000	£2.29	£2.86	£24,000	£3.67	£4.58
£16,000	£2.44	£3.05	£25,000	£3.82	£4.77

Only available to people over 60 and furnished tenancies

STANDARD MINIMUM COVER

Prices from 4/4/11

ANNUAL COSTS:

COVER £10,000
£15,000
£25,000

STANDARD

73.44

109.92

183.36

STANDARD + ACCIDENTAL

91.68

137.28

228.96

You may wish to use the do-it-yourself valuation sheet overleaf, to help work out how much cover you need.

The payments shown are inclusive of Insurance Premium Tax (IPT) at the appropriate rate.



Equality Impact Assessment form

1) Name the Strategy, Policy, and Procedure or Function being assessed.

Tenants Contents Insurance Scheme

2) What are the aims of the strategy, policy, procedure or function being assessed?

Whose need is it designed to meet?

Are there any measurable elements such as time limits or age limits?

The scheme is designed to meet the needs of tenants in securing low cost contents insurance that can be paid for on a weekly basis.

No age limits but the minimum level of cover is £8,000 for those over 60 whereas the standard minimum cover is £10,000 for all other tenants.

Tenants must be up to date with their rent payments in order to qualify for membership.

3) Who has been consulted?

Consultation has not yet taken place and is to be further discussed.

4) Identify potential impact on each of the of the diversity 'groups' by considering the following questions. There may be other questions you need to think about which are specific to the strategy, policy, procedure or function you are assessing.

Appendix 2

- Might some groups find it harder to access the service?
- Do some groups have particular needs that are not well met by the current service, policy, procedure or function?
- What evidence do you have for your judgement (e.g. monitoring data, information from consultation / research / feedback)?
- Have staff / residents raised concerns and or complaints?
- Is there any local or national research to suggest there could be a problem?

Please use the table below to record your findings / answers

Strand	No Impact	Negative Impact	Positive Impact	Comments / Evidence
Age			Yes	Those over 60 are allowed to have a lower minimum insurance cover of £8K compared to the standard of £10K
Disability	No impact			
Gender	No impact			
Race	No impact			
Religion & Belief	No impact			
Sexual Orientation	No impact			
Transgender	No impact			
Marital Status	No impact			

5) Does the strategy, policy, practice or function promote equality of opportunity?

- Does it link to Derby Homes Core objectives
- Can any positive impacts be promoted as best practice

Appendix 2

The scheme promotes equal opportunity as it makes contents insurance available to tenants at low cost, with no excess on claims and with the facility to pay weekly with no additional finance cost, thus making it available to tenants who would otherwise not be able to obtain such insurance.

The scheme is open to all tenants who are up to date with their rent payments.

The scheme links to the objective of providing excellent customer service.

6) If 'adverse Impacts' are identified is it? - Not Applicable

- Legal (i.e. not discriminatory)
- What is the level of impact?

7) Are there any changes you could introduce which make this strategy, policy, procedure or function, work better for this group of people? Detail the actions planned and any further research or consultation required and how the actions will be monitored.

It is intended to re-tender the scheme in the near future, ensuring that the very best value for money can be offered to tenants.

Once re-tendered, consideration will be given to increased advertising of the scheme.

8) If actions / suggestions for improvement have been identified, what should the positive outcome be for Derby Homes customers?

Improved scheme offering low cost content insurance

Appendix 2

- 9) Do you consider a full Equality Impact Assessment is required or do the actions identified and planned meet the adverse impacts identified?**

NO

Monitoring

Review / New EIA (date or Timeframe)	August ,2014
Name of person/s completing this form	Tony Muldoon
Date assessment completed	30/08/11
Name (and signature) of manager approving EIA	