

Report to Cabinet

20 October 2021

Subject:	Tenant Home Contents Insurance
Cabinet Member:	Cabinet Member for Housing Cllr. Zahoor Ahmed
Director:	Director of Housing Gillian Douglas
Key Decision:	Yes To be significant in terms of its effect on communities living or working in an area comprising two or more wards of the Borough.
Contact Officer:	Nigel Collumbell Service Manager Housing Management

1 Recommendations

- 1.1 That the Director of Housing be authorised to award a contract for the renewal of the tenant's home contents insurance scheme through the current agreement with the Northern Housing Consortium (NHC) be approved for the period 1 April 2022 to 31 March 2025.
- 1.2 That in connection with 1.1 above, the Director of Housing be authorised to extend the renewal of the tenant's home contents insurance scheme through the current agreement with the Northern Housing Consortium (NHC) from 1 April 2025 to 31 March 2026.
- 1.3 That the Director of Housing in consultation with the Cabinet Member for Housing be authorised to seek contract terms via the NHC for tenants contents insurance and make the necessary arrangements to put this into place.



- 1.4 That the Director of Law and Governance – Monitoring Officer be authorised to execute any documentation necessary to enable the above.
- 1.5 That any necessary exemptions be made to the Council's Procurement and Contract Procedure Rules to enable the course of action referred to in 1.1 – 1.3 above into effect.



2 Reasons for Recommendations

- 2.1 Sandwell Council have utilised Marsh as a broker to source a low cost, non-discriminatory scheme for tenants for the past 16 years. The purpose is designed to provide insurance options for financially excluded tenants who may otherwise be excluded for reasons such as high excess, high premiums, or they live in a high-risk postcode area. Home contents insurance promotes resilience and independence for our tenants/ policy holders. The unique selling point of the scheme is there is no excess for policy holders and all tenants can join for the same rate, regardless of postcode. The cover is from £4,000 to £40,000 and is on a new for old basis.
- 2.2 Securing an annual arrangement / policy involves the purchase of Tenant Contents Insurance (TCI) from an external insurance provider (via a broker) to provide cover to tenants who signed up to the agreement, and who then pay a premium.
- 2.3 Historically the Rent Accounting Team (Housing Directorate) have been responsible for the policy premium payments, collecting and chasing any outstanding monies owed and administering the scheme.
- 2.4 Following a significant number of Financial Conduct Authority (FCA) data breaches by other authorities within the Northern Housing Consortium umbrella, the administration responsibilities for the scheme will change with effect from April 2022.



- 2.5 To minimise the risk to local authorities, the insurance broker - Marsh, and the insurer Royal Sun Alliance (RSA) are following advice from the FCA and will no longer offer a delegated scheme to housing providers; this will mean the Rent Accounting Service / the council will no longer be responsible for the collection of insurance premiums or the administration of the scheme. The Uris Group will administer the scheme and deal with tenants directly including underwriting, payments, policy documents, administration, claims and changes to policies. Because of this change, the council will no longer be responsible for any potential data breaches.
- 2.6 The value of the contract is dependent on the take up of the scheme by our tenants. Based on the 12 months from August 2020 to July 2021, premiums collected were £262,809. As a result, approval is being sought from Cabinet.
- 2.7 As the Rent Accounting Service will no longer be responsible for the administration of the scheme, premiums will be paid by the tenant directly to the Uris Group. The role of the council will simply be to promote the scheme to otherwise financially excluded tenants.
- 2.8 Marsh represents 122 housing providers, 100 of which have already been converted to the administered scheme and the remaining 22 will move across in April 2022. Our customers benefit from economies of scale as Marsh collectively tender for 122 other housing providers to get the best deal for tenants.

3 How does this deliver objectives of the Corporate Plan?

	Strong resilient communities Home Contents Insurance enables our residents to be more resilient and feel protected from theft or damage.
	A strong and inclusive economy Our most vulnerable tenants will feel supported. The Home Contents Insurance Scheme provides cover to tenants who



	may otherwise have difficulty in obtaining or affording necessary protection of their personal assets.
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4 Context and Key Issues

Background

Northern Housing Consortium (NHC) contract:

- 4.1 Sandwell Council are members of the NHC who have a 10-year agreement in place with the insurance broker Marsh; the agreement started in 2016. This agreement appoints Marsh to provide broker services to source a Home Contents Insurance provider for our tenants; Marsh facilitate the tender and develop the specification in consultation with housing providers.
- 4.2 The Council's Corporate Procurement service has confirmed that the NHC framework that provides the insurance services was procured in compliance with the Public Contracts Regulations 2015, and that the Council is entitled to use the framework in compliance with those Regulations.
- 4.3 NHC via its brokers, conducted a procurement process to appoint suitable accredited insurance providers to underwrite the scheme under the framework agreement that commenced 1 April 2017. This procurement involved the publication of a Notice in the OJEU on 15th April 2016 (reference 2016/S 077-135283) to open the opportunity for bidding to express an interest in this procurement exercise. Due to the limited market for insurance providers of Tenants Home Contents Insurance, NHC and its appointed broker decided that an 'Open' procurement would be the most appropriate procurement process to follow in accordance with the Public Contract Regulations 2015.
- 4.4 The tender process was run using the Delta e-Source e-Tendering system and all tender documentation was made available via the NHC's portal on the Delta website. Four expressions of interest were received but only one bid was received from the Royal Sun Alliance Insurance plc.



- 4.5 The contract was awarded to the most economically advantageous tender with regard to both quality and price, with a weighting of 40% to quality and 60% to price. An evaluation panel of seven representatives was used, including NHC, its broker and 5-member authorities. The framework was awarded to Royal Sun Alliance Insurance plc without formal challenge and the contract award was published on 12 August 2016. This is a ten-year agreement to be reviewed in 2026.

Tenants Home Contents Insurance:

- 4.6 The unique selling point for our customers is there is no excess for policy holders and all tenants can join for the same rate, regardless of postcode. The cover is from £4,000 to £40,000 and is on a new for old basis.
- 4.7 Sandwell Council have 2,416 customers that have Home Contents Insurance through this scheme. 980 have accidental damage cover and 1,436 have standard cover (as at August 2021). The current Provider is Royal Sun Alliance (RSA) and we are due to renew our insurance in April 2022.
- 4.8 Following a significant number of Financial Conduct Authority (FCA) data breaches, Marsh have advised that from April 2022, housing providers will no longer be responsible for administering the scheme.
- 4.9 As a result of this change, our commission will fall to 5% of payments collected. Based on the last 12 months commission payments, this would be a reduction of £46.7K (July 2021).
- 4.10 Finance have been consulted on the change in administration responsibilities and the impact this will have on commission payments. This is off set by the reduced risk to the authority around potential data breaches.



- 4.11 To mitigate any lost income, the proposal is to heavily promote the scheme at every opportunity during the tenants' journey and increase awareness. The scheme also opens new opportunities for our tenants to cover additional personal items such as mobile scooters, which has been in high demand over recent years. The facility was not offered through the delegated scheme, so this is a positive change for our customers.
- 4.12 During the transition period from approval until April 2022, the council will implement a communications plan to seamlessly transition tenants across to the administered scheme. This will involve setting up new payment arrangements and communicating new contacts and processes. We have had agreement from our broker and RSA that they will contribute £1,000 towards any postage / printing to support this transition.
- 4.13 Internal consultation with key Stakeholders has taken place, including procurement, finance, risk management, governance and legal.

5 Alternative Options

In addition to the above option, the following have been considered.

Option 1 – No longer offer Tenant Home Contents Insurance

- 5.1 This alternative option is for the council to withdraw from offering a home contents insurance scheme for our tenants. There is no legal requirement for the council to offer or procure this insurance cover. The cover is purchased on behalf of the council's housing tenant. This scheme provides insurance for otherwise financially excluded tenants. The scheme has no excess, meaning that low income families can claim without feeling any financial burden if something goes wrong. Home Contents Insurance promotes resilience and independence for our policy holders and the council as a social landlord.



- 5.2 This option is considered in line with of the Cabinet Report – ‘Procurement of Leasehold Building Insurance and Tenants Contents Insurance’, dated 14 October 2020. Item 1.6 - ‘the Rent Control Team (now Rent Accounting Team) is currently considering the future provision of this service’, and item 6.3 – ‘In terms of TCI, the council has the option of not providing this service and inform tenants to seek their own contents insurance. This is currently under consideration by the Rent Accounting team’.
- 5.3 This option is not recommended as it would financially exclude our tenants from an affordable home contents insurance scheme.

Option 2 – The council tenders independently

- 5.4 Another option is for the council to cease use of the NHC contract and procure their own insurer. This would mean we would go to the market independently and source a home contents insurance provider, develop our own specification and manage our own tendering process.
- 5.5 Consultation with neighbouring authorities has highlighted that at present not all have followed suit and some still offer a fully delegated scheme. Although this would produce a higher return in terms of commission payments to the council, data breaches would remain higher risk for the council.
- 5.6 In addition, due to the changes being supported by the FCA, other brokers are likely to follow suit and only provide a fully administered scheme in the near future.
- 5.7 The NHC has members across the country that have joined to take advantage of a wide range of frameworks it can access through the consortium procurement. Moving away from this would eliminate any economies of scale benefits. Therefore, this option is not being recommended.
- 5.8 If this option is progressed, a new contract will need to be in place by December 2021 to meet the requirements of the annual rent review notification periods for tenants.



6 Implications

Resources:	<p>No additional resources are required. The loss of income will be mitigated via an extensive communications plan promoting the scheme to tenants.</p> <p>The value of the contract will be approx. £262,809 per annum, as noted in item 2.6.</p>
Legal and Governance:	<p>The council must comply with the Public Contracts Regulations 2015 and the Council's own Procurement and Contract Procurement Rules. In terms of this procurement, the council, who is a member of the NHC has used the NHC framework for Tenants' Home Contents Insurance. The existing agreement with NHC has been signed by legal services and any future agreement will require sign off by legal services too. The current agreement signed in 2018 expired in 2021. An extension agreement was made in 2021 to 2024; following a further amendment the agreement expires in 2022.</p>
Risk:	<p>The changes to an administered scheme reduces the risk of serious data breaches. The scheme also reduces the risk for our tenants being unable to replace lost items, should they experience accidental damage or loss.</p>
Equality:	<p>Providing a Home Contents Insurance scheme option assists our tenants overcome financial exclusion they face such as not having a bank account; the inability of a tenant to fund excess and avoids high premiums in high risk areas.</p>
Health and Wellbeing:	<p>Home Contents Insurance enables our residents to be more resilient and feel protected from theft or damage.</p>
Social Value	<p>There are no specific social value implications arising from this report</p>



7. Appendices

None

8. Background Papers

- 8.1 Cabinet Report – Procurement of Leasehold Building Insurance and Tenants Contents Insurance 14 October 2020.

