

Item

CESSATION OF TENANTS CONTENTS INSURANCE SCHEME

To:

Councillor Gerri Bird, Executive Councillor for Housing

Report by:

Julia Hovells, Assistant Head of Finance and Business Manager

Tel: 01223 - 457248

Email: julia.hovells@cambridge.gov.uk

Wards affected:

Abbey, Arbury, Castle, Cherry Hinton, Coleridge, East Chesterton, King's Hedges, Market, Newnham, Petersfield, Queen Edith's, Romsey, Trumpington, West Chesterton

Key Decision

1. Executive Summary

- 1.1 This report reviews the future provision of the weekly paid, 'with rent' Tenants Contents Insurance Scheme, which has been provided by the Council since 1996, according to the records available.
- 1.2 Recognising the declining number of tenants taking up the scheme, an inability to demonstrate true value for money for tenants, the hugely increased administrative burden and the risks associated with Council staff 'selling' insurance if you are not set up for this as your business, it is proposed to terminate the scheme, from the beginning of April 2023.
- 1.3 An alternative 'arm's length' insurance option may be available but is currently subject to further exploration.

- 1.4 Tenants will be communicated to following any decision and will be advised to find an alternative insurance provider, but officers will not be able to signpost to a particular provider or provide any opinion.

2. Recommendations

The Executive Councillor, is recommended, following scrutiny and debate at Housing Scrutiny Committee, to:

- a) Approve that the Council ceases to directly offer Tenants Contents Insurance with immediate effect and terminates the existing contract on 31st March 2023, notifying all existing customers of this in the intervening period.
- b) Approve a delegation to the Strategic Director, in consultation with the Executive Councillor, Chair, Vice Chair and Opposition Spokespersons, to determine whether an 'arm's length' scheme could be offered to council tenants as an alternative, implementing this if due diligence confirms it is viable.

3. Background

- 3.1 Cambridge City Council have for many years, offered a weekly paid Contents Insurance scheme for tenants, with premiums charged alongside rent.
- 3.2 The Housing Service currently has a contract with Thistle for the provision of the tenant's contents insurance scheme. The scheme sees Thistle act as broker, with Ageas providing the insurance cover.
- 3.3 The contract came into force on 1st February 2019 for an initial period ending on 31st March 2023 with the option to extend for a further 1 year.
- 3.4 The scheme provides home contents insurance to approximately 378 tenants currently, with total premiums in the region of £20,000 per annum. The Council currently earns commission, which purports to cover the staff time associated with administering the scheme at a rate of 15% of net premiums to cover the costs of administering the scheme which generated the council an income of £2,661.90 for 2021/22.

- 3.5 The current contract was tendered in 2018 but has in recent years seen uptake of the scheme decrease as more and more people choose not to insure or to procure their home contents insurance product elsewhere potentially taking advantage of comparison websites online.
- 3.6 We had over 700 residents on the scheme in 2009, reducing to 514 by 2017, and now only 378 on the scheme as of May 2022 with this being 338 residents in general needs housing and 40 residents in sheltered accommodation.
- 3.7 The procurement process market tests prices against other 'with rent' tenants contents insurance schemes, procured through a broker, but does not allow comparison to what is on offer more broadly in the marketplace for tenants as individual households.
- 3.8 One of the great benefits of the scheme when it was first introduced was the ability for tenants to pay weekly alongside their rent, when many were paid on a weekly basis. However, as time has gone on, most employers pay their staff monthly and Universal Credit is paid monthly, meaning that more tenants pay their rent monthly.
- 3.9 One of the disadvantages of the scheme is that the authority has to determine the level of insurance cover attached to each of the insured perils, and to specify what is, and isn't covered under the bulk scheme. If a tenant were to arrange their own insurance, they could create a bespoke policy which could meet their needs more appropriately.
- 3.10 The 15% commission that the Council earns is ostensibly to cover the costs of administering the scheme, but unfortunately the scheme has become very labour intensive to run over the last year, with a reduced commission due to dwindling numbers on the scheme.
- 3.11 The tasks covered by the Council include:
- Marketing the scheme.
 - Providing an explanation of the scheme at tenancy sign up.
 - Checking uptake as part of our Tenancy Audit.
 - Administration of any new applications or cancellations each month – liaising with insurer for acceptance in some cases where a criminal record or claims history exists.
 - Issuing welcome letters and sending out policy documentation.
 - Issuing letters where applications are declined by the broker / insurer.

- Monitoring tenancies and chasing insurance arrears.
- Issuing letters for insurance cancellations if over 6 weeks in arrears.
- Maintaining the website with accurate content and prices all checked and validated by insurer.
- Producing and sending out annual notification of price changes together with issuing new certificates of sums insured to residents.
- Monthly bordereau reporting that takes a few hours per month to complete, which was a new burden introduced in April 2021 detailing all addresses, names, start dates, terminations dates and cover levels that needs to be reconciled to an income return.
- Monthly payment of premiums to insurer once return is accepted
- Providing up to date account verification to insurer in the event of claims being made to ensure premiums have been paid.
- Training to ensure that all new staff are aware of the insurance administration process.

3.12 In 2022/23, we have also been made aware of a new requirement for all staff in any way involved in the above processes to undertake Financial Services Authority (FSA) on-line compliance training. The training is modular, would be expected to take approximately 10 hours per person, and would need to be repeated annually.

3.13 This training would need to be undertaken by finance, lettings and income management staff, housing officers and assistant housing officers, which equates to approximately 20 staff across the service.

3.14 The new Tenancy Auditor function has been used to provide a follow up on the sign-up information provided and whether tenants have decided to take up the council's insurance having been given an application pack. The first few month's results are that 30 tenants indicated an interest in taking up insurance when the staff member was in the home, but only 1 tenant has actually applied to do so. This application however had to be rejected as they were in rent arrears and accounts have to be brought up to date before we are able to accept them onto the scheme.

3.15 As this is a discretionary service, with numbers diminishing, and the amount of staff time required to administer the scheme going forward will exceed the commission received to fund it, the service would need to be subsidised by the HRA more widely if it were to continue in its current guise.

3.16 Recognising our inability to demonstrate that the scheme we have offers true value for money in the marketplace, the inherent risks associated

with staff who were not employed to sell financial products effectively selling insurance, (particularly in light of the new FSA guidelines), the need for all staff who might speak to someone about it to be trained and a requirement for the authority to confirm annually that this is the case, it is recommended that the scheme is terminated at the end of the current contract period at the end of March 2023.

- 3.17 However, having alerted the broker that we were intending to present this report to Housing Scrutiny Committee for decisions, they have made officers aware of an alternative option that we could explore.
- 3.18 The broker has indicated that they could offer an ‘arm’s length’ option which would see the Council merely signpost tenants to the scheme. Once signposted, tenants would sign up to the scheme directly with the broker, and would pay their premium to them, and liaise over any claims with them, directly. This would remove the administrative burden on the Council, would avoid the need for council staff to undertake FSA training and would remove the financial risk associated with non-payment of premiums, which currently resides with the Council. This type of scheme may be expected to carry higher premiums, as the broker would not subsidise the administrative costs as the HRA is doing currently. It would be for tenants to make their own decision about whether to move to such a scheme or to seek insurance themselves directly in the market
- 3.19 Officers need to explore this alternative option in more detail, to confirm that it would meet the need, and would also have to confirm whether a formal procurement process would be required to secure such an arrangement.
- 3.20 As a result, this report recommends cessation of the contract for the existing scheme from 31st March 2023 but requests a delegation to fully explore the alternative option, taking this forward only if it is deemed appropriate.
- 3.21 If a decision is taken to terminate the existing scheme in September 2022, officers will have 6 months to be able to provide very early warning to the 378 tenants affected, allowing them ample time to seek alternative contents insurance or to consider the alternative scheme if it can be offered. To ensure that we are FSA compliant, we will need to ensure that we don’t signpost residents to any particular insurer in the wider market place or any comparison website, but simply suggest that they explore the market themselves. We can however, support tenants who are digitally excluded, offering the use of access to the internet and

assistance with using the technology to allow them to self-serve. If the alternative 'arm's length' option is concluded to be appropriate, this can be offered to tenants.

3.22 Having looked at what South Cambridgeshire District Council does as a comparison, here is an extract from their website:

'Contents insurance

South Cambridgeshire District Council does not insure the contents of your home. We are only responsible for insuring the structure and exterior of your home.

We strongly advise you to arrange enough insurance cover for the contents of your home such as furniture, carpets, clothing, cooker, fridge, TV, decorations, and include any outbuilding. The Council cannot be held responsible for any uninsured loss where we are not shown to have been negligent. You should also ensure that, as occupier of the premises, you have adequate insurance to meet claims against you by other people.

We would recommend comparing quotation prices from a few different providers to make sure that you are getting the best value for money; we would also advise on getting cover for things such as accidental damage'.

4. Implications

(a) Financial Implications

The financial implications associated with this decision would be the loss of approximately £2,660 per annum, but savings in staff time that more than offset this and would allow staff to divert their attention to our core landlord functions, such as tenancy management, tenancy audits, rent collection and rent arrears recovery. A decision to continue to offer the service would carry a greater cost burden in the form of the additional staff time required to allow for the FSA training, estimated to be in the region of £4,800 per annum extra.

(b) Staffing Implications

The impact on staff involved in activity associated with administering the Tenants Contents Insurance Scheme will be a reduction in the time spent

currently facilitating the scheme and will mitigate the need for staff to significantly increase their input in order to undertake 10 hours of mandatory FSA training each per annum.

(c) Equality and Poverty Implications

An Equalities Impact Assessment has been undertaken in respect of the proposal to terminate the offer of Tenants Contents Insurance and is attached at Appendix A to this report.

(d) Environmental Implications

There are no direct environmental implications associated with this report.

(e) Procurement Implications

There are no direct procurement implications associated with this report. If approved, the current contract will simply not be extended or re-procured, and notice will be given to the incumbent supplier of the Council's intention to end the contract after completion of the current contract term.

(f) Consultation and Communication

Consultation with tenant and leaseholder representatives is an integral part of the Housing Scrutiny Committee process.

(g) Community Safety

There are no direct community safety implications associated with this report.

5. Background papers

Background papers used in the preparation of this report:

There were no specific background papers used in the preparation of this report.

6. Appendices

The Equalities Impact Assessment associated with the decision in this report is attached at Appendix A.

7. Inspection of papers

To inspect the background papers or if you have a query on the report please contact:

Julia Hovells, Assistant Head of Finance and Business Manager

Telephone: 01223 – 457248 or email: julia.hovells@cambridge.gov.uk.