

East Suffolk Shadow Authority

SHADOW CABINET

Monday, 18 February 2019

NEW INSURANCE POLICY (REP 34 (SH))

EXECUTIVE SUMMARY

1. This report sets out the background, process utilised and results of a tender for East Suffolk Council's requirements for General Insurance Services.
2. Section 5.3b)iv) of the Council's Contract Procedure Rules, which are within Part 3 of the Council's Constitution, requires Cabinet to approve contracts that exceed £250,000.
3. Shadow Cabinet are recommended to approve for the East Suffolk Council to contract with the successful tender for a three year contract, commencing on 1st April 2019 with an option to extend for two further years. The cost of this contract for the three year period would be approximately £1,139,209 (£1,956,782 with both extension options taken).

Is the report Open or Exempt?

OPEN

Wards Affected:

All Wards in the District

Cabinet Member:

Councillors Stuart Lawson and Bruce Provan
Cabinet Members with Responsibility for Resources

Supporting Officer:

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1 INTRODUCTION

- 1.1 East Suffolk Council has a range of insurance requirements covering; property, liability, motor and other categories considered as 'General Insurance'.
- 1.2 The Council will adopt contracts for its insurance utilising 'excess' levels based on claims history with 'stop loss' levels at which point the insurer would become responsible for all claims regardless of the excess. The Council utilises the option of stop losses to limit the impact of claim excesses on the Council and preserve budgets.

2 BACKGROUND

- 2.1 Provision of insurance can be direct (as in the case of Zurich Municipal) or more generally through brokers. Zurich Municipal has a significant share of the local authority insurance market, largely due to their ability to meet all the insurance requirements of local government in a single package and their preference for a direct rather than brokered relationship. Accessing the whole market place can be difficult because of the complexity of local authority needs and the proportion of market share held by Zurich Municipal.
- 2.2 Following the successful use of the Crown Commercial Service (CCS) Framework Agreement for the 2014 procurement process, it was agreed this process would continue to provide the best access to the market and the most efficient cost effective tender process.
- 2.3 In 2014 potential suppliers were given the opportunity to bid for single as well as multiple categories of insurance, known as lots (e.g. property, motor, casualty and so on). They were also invited to bid for a number of different 'excess' levels as well as 'ground up' cover (i.e. no excess). It was envisaged a greater number of bids and economies would be realised. The reality was the receipt of one overall package bid and a single property package bid.
- 2.4 The 2019 tender process has therefore avoided this approach restricting bids to the overall package alone. This enabled the tender evaluation process to be simplified, decreasing the risk of challenge, and permitted focus to the new East Suffolk Council aligning and combining the requirements of the previous councils.
- 2.5 The CCS Framework agreement permits direct access to the market and also through a broker. Certain suppliers within the framework will only bid through brokers whilst other will only deal direct. The use of a broker in the process is of greatest merit when the tender bids are broken down into lots. The decision to only accept single overall package bids and not offer lots meant the use of a broker was not required.
- 2.6 Invitations to Bid documents were issued to all organisations on the framework on Friday 23rd November 2018 with bid responses to be returned by 12 noon, Friday 18th January 2019. A single bid was received from Supplier 1.
- 2.7 Supplier 1 completed a full quote for all categories of insurance with the exception of income cover for the licences issued for the Council's beach hut platforms.

3 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

- 3.1 There is no direct link to how this relates to the East Suffolk Business Plan, other than Section 111 Local Government Act 1972 requires Councils to arrange insurance against losses and liabilities arising in the discharge of its.

4 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 4.1 The proposed contract is for three years with the options to extend for one year and then an additional further one year.

4.2 The Council has a budget of £565,900 for insurance in 2019/20 and the preferred tender price submitted by Zurich Municipal is £329,782 per annum, or £368,569 inclusive of Insurance Premium Tax. This is a saving of £188,351 in 2019/20 and potentially over the five years of the contract, a saving of £999,980.

4.3 The table below provides our current insurance premiums (including unrecoverable Insurance Premium Tax (IPT)) based on the current combined council contract requirements which have been inflated by 3% per annum. The preferred tender option below shows the premiums quoted in the tender for 2019/20 and future years have also been inflated by 3% for comparison. The reductions in premiums arise from the move from two organisations to a single body no longer paying baselines for the two, an increase in Waveney DC property material damage excesses to align with that of Suffolk Coastal DC, improved communication of risk to potential bidders, on-going improvement of risk mitigation within the councils, and we believe increased competition within the market arising from the framework.

Insurance Premiums (inclusive of IPT)	2019/20 £	2020/21 £	2021/22 £	2022/23 Option 1 £	2023/24 Option 2 £	Total £
Current Combined Council Contracts	556,920	573,627	590,836	608,561	626,818	2,956,762
Preferred Bidder Tender Option	368,569	379,626	391,015	402,745	414,827	1,956,782
Reduction in premium	188,351	194,001	199,821	205,816	211,991	999,980

4.4 The Final Evaluation Report for General Insurance Services is available from the Chief Finance Officer.

5 OTHER KEY ISSUES

Review meetings will take place on a regular basis between the Payables & Purchasing Manager and the contractors Risk and Insurance Consultant. These meetings will give the opportunity to discuss the contract and monitor services and performance.

6 CONSULTATION

6.1 Extensive consultations have taken place between the Procurement Manager and Payables & Purchasing Manager of the Council to ensure that the specifications and requirements were detailed in the tender documents.

7 OTHER OPTIONS CONSIDERED

7.1 Officers considered whether an OJEU exercise or utilising a public sector framework agreement would be the most appropriate approach. In view of prior experience, the potential opportunity to access a prequalified market and reduce timescales, led to a decision to utilise the framework.

7.2 Officers considered whether to carry out a collaborative process with other Councils or not. It was decided to act collaboratively to see if this might realise economies within the context of the framework.

- 7.3 Officers also considered which levels of excess and stop loss potential suppliers were asked to bid for. The previous levels of the predecessor Councils were aligned resulting in an increase in excess on Waveney DC property from £5,000 to £10,000.
- 7.4 The limit of indemnity for the Public Liability and Employers Liability policies was increased from £20m to £25m to recognise recent increases in the costs of claims resulting from court settlement reforms and the change in discount rate used to calculate claim costs.
- 7.5 Further considerations related to the term of the contract. The Framework would allow five years as a maximum. It was decided that the tender would seek three years and options to extend for an additional year on two occasions, a total of five years.

8 REASON FOR RECOMMENDATION

- 8.1 Section 111 Local Government Act 1972 provides Councils to arrange insurance against losses and liabilities arising in the discharge of its functions. In some cases, such as employers' liability and motor insurance, there is an express statutory duty to do so.

RECOMMENDATION

1. That Shadow Cabinet approve under section 5.3b)iv) of the Council Contract Procedure Rules, for the Council to contract with Zurich Municipal Insurance based on the preferred tender option of £368,569 (inclusive of Insurance Premium Tax) for a period of three years, with the option to extend for two further one year periods.

APPENDICES - none

BACKGROUND PAPERS - none