

Cabinet

Date: 16 February 2015

Subject: Insurance Tender 2015

Lead officer: Paul Dale

Lead member: Mark Allison

Recommendations:

- A. That Cabinet notes the report received from the Councils' insurance brokers Jardine Lloyd Thompson (JLT) (Confidential Appendix B)
- B. That CMT/Cabinet approves the renewal of the Councils' insurance arrangements as follows
- C. That Lot 1 (Property Insurance) be placed with Organisation A at a premium of £197,813.31 plus Insurance Premium Tax (IPT) totalling £209,682.11 (£989,066.55 and £1,048,410.54 respectively for the five year period)
- D. That Lot 2 (Liability Insurance) be placed with Organisation B at a premium of £296,206.50 plus IPT totalling £311,094.69 (£1,481,032.50 and £1,555,473.45 for the five year period)
- E. That Lot 3 (Fidelity Guarantee Insurance) be placed with Organisation A at a premium of £21,000 plus IPT totalling £22,260.00 (£105,000 and £111,300 for the five year period)
- F. That Lot 4 (Motor Fleet Insurance) be placed with Organisation A at a premium of £73,490.00 plus IPT totalling £77,858.00 (£367,450.00 and £389,290 for the five year period)
- G. That Lot 5 (Travel and Schools Onsite/Offsite Activities Insurance) be placed with Organisation A at a premium of £9,717.85 plus IPT totalling £10,300.92 (£48,589.25 and £51,504.60 for the five year period)
- H. That Lot 6 (Commercial Property Insurance) be placed with Organisation A at a premium of £43,016.53 plus IPT totalling £45,597.52 (£215,082.65 and £227,987.60 for the five year period)
- I. That Lot 7 (Terrorism Insurance) be placed with Organisation C, at a premium of £102,500.00 plus IPT totalling £108,650 (£512,500 and £543,250 for the five year period)
- J. That authority be granted to the Director of Corporate Services to effect Medical Malpractice Insurance and a Crime extension to Fidelity

Guarantee Insurance if deemed necessary subject to the total premium not exceeding £25,000.00

PURPOSE OF REPORT AND EXECUTIVE SUMMARY

1.1.1 The Council has recently undertaken a tender exercise to renew its' insurance arrangements and this report seeks Cabinet's approval for their award. This exercise was last conducted in 2009.

1.2 The tendering exercise was split into 7 lots

Lot 1 Property Insurance

Lot 2 Liability Insurance

Lot 3 Fidelity Guarantee Insurance

Lot 4 Motor Fleet Insurance

Lot 5 Travel and Schools Onsite/Offsite Activities Insurance)

Lot 6 Commercial Property Insurance

Lot 7 Terrorism Insurance

The potential need for Medical Malpractice Insurance and a Crime extension to the Fidelity Guarantee Insurance is also discussed

1.2.1 The known premium cost arising from this tender will be £785,443.24 compared to the premium cost at expiry of £813,103.09. In addition to these premiums there may be further premiums in respect of Medical Malpractice Insurance should Public Health require this cover and Crime Insurance following further review by the Director of Corporate Services which are estimated to be no greater than £25,000. Medical Malpractice Insurance was purchased last year at a cost of £9540.00. Crime Insurance has not been previously purchased.

2 DETAILS

2.1 The Council has an insurance programme made up of conventional insurance through insurance companies, and internal self-funding via the Councils' Insurance Fund.

2.2 Most of the Councils' insurance policies carry an excess of either £100k or £150k. The exceptions to this are policies involving other parties such as leaseholders, householders, and hire arrangements. Our current computer insurance also has a low excess of just £5,000.00. This means that most claims are paid from the Council's Insurance Fund. Last year the cost of claims to the Insurance Fund was just under £1.5m. Our insurers therefore only contribute to the largest claims. There is also an aggregate stop on

- these policies which acts to limit the total outlay by the Council in any one year. This currently stands at £1.7m with the main insurer.
- 2.3 Although insurance policies are annual contracts, it is possible to sign long term agreements which typically run for between three and five years. Such agreements commit the Council to annually renewing with existing insurers providing the insurer offers unaltered terms. This procurement is for a three year long term agreement with two further annual options to extend for a further year. Therefore these contracts will potentially run for five years.
 - 2.4 The current long term agreement expires on 31 March 2015. Accordingly a procurement process was commenced using the Crown Commercial Services framework Agreement (RM958 managed through the London Tenders Portal by the Councils' insurance brokers JLT
 - 2.5 Four companies responded to some or all elements of the tender .
 - 2.6 The results of the tender exercise are included in the attached report from JLT. JLT carried out a tender evaluation which has been verified by the contact officer and forms the basis of the recommendations.

3 ALTERNATIVE OPTIONS

- 3.1 Options were sought to increase the level of excess on some policies. The Insurance Manager does not recommend these in some cases on the grounds of increased cost to the council and because of increased risk.
- 3.2 Medical Malpractice insurance is currently held by the Council. There has been some debate with Public Health as to the necessity of this cover. It was therefore decided not to include this cover in the tender. Discussions will be held with the new public liability insurer and with interested departments such as Public Health to ascertain whether we have sufficient cover under our public liability insurance to cover the Councils' risk. If additional cover is required then a further tendering exercise would be required.
- 3.3 Under Lot 3 there is the opportunity to extend this cover to a 'full crime basis'. This would widen the scope of the cover to include not only theft by employees but also third parties. This option was not included in the tender document and is currently not covered under the Councils' insurance programme. Indications have been received that this additional cover is likely to cost less than £10,000.00 and would require a further tendering exercise

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 The Procurement Section has been consulted and has assisted in the management of this procurement exercise

5 TIMETABLE

- 5.1 Our current arrangements expire on 31 March 2015. Bidders are to be advised by letter on 02 March 2015 and contracts awarded on 03 March 2015.

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 Premiums are required to be paid in full shortly after 01 April 2015. The known premium cost will be £785,443.24 (inc IPT) and is unlikely to exceed £815,000.00(inc IPT) if the further policies are obtained. This compares to last years' premium spend of £822,643.09. These costs can be contained within the budget for internal and external premiums.
- 6.2 Insurance Premium Tax is levied at 6% on insurance premiums and can be altered by HM Treasury. It is not recoverable by local authorities. Some premium elements are not subject to IPT but are subject to VAT which is recoverable. This explains why some premiums including IPT are slightly less than 6% of the base premiums.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1 There is no legal requirement for the Council to have any insurance. External insurance is arranged to protect the financial security of the Council.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 None

9 CRIME AND DISORDER IMPLICATIONS

- 9.1 None

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1 The failure to maintain and manage a coherent insurance programme threatens the Councils' budgets and its' ability to achieve its' objectives.

11. CONFIDENTIAL APPENDICES- the following documents are to be published with this report and form part of the report

Appendix 1 – Organisations to whom it is recommended to award
Appendix 2 – JLT report