

Classification: Open	Decision Type: Key
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Report to:	Cabinet	Date: 05 October 2023
Subject:	Insurance Tender Process and Award of Contract	
Report of	Cabinet Member for Finance and Communities	

1. Summary

1.1 This report seeks endorsement and on the Key Decision to be taken in relation to the award of insurance programme contracts that are due to commence on 1 April 2024.

2. Recommendation(s)

2.1 To approve the undertaking of the necessary procurement, via an insurance broker, of the relevant Insurance Programme contracts. .

2.2 To delegate authority to the Executive Director of Finance (S151Officer), in consultation with the Cabinet Member for Finance and Communities, to undertake a tender process to ensure that appropriate Insurance arrangements are in place for the activities of the Council.

2.3 To request a report back to Cabinet on the results of the procurement exercise seeking authorisation of the award of contracts to the successful bidders and delegation of authority to the Executive Director of Finance and the Council’s Monitoring Officer, after consultation with the Cabinet Member for Finance and Communities, to take the necessary actions required to implement that decision.

3. Reasons for recommendation(s)

3.1 It is recommended the Council proceeds with a tender exercise to procure a new insurance programme. There is no option for a further extension of the existing arrangement. Proceeding without insurance cover is not recommended as the Council would risk significant claims spend – particularly if a total property loss was to be suffered.

3.2 Completing a tender exercise will allow the Council to explore all available market options, which is considered advantageous whilst the insurance market remains unsettled. The market has hardened since Covid-19 due to global uncertainty and limited investment opportunities, making re-insurance more expensive.

4. Alternative options considered and rejected

- 4.1 When the policies expire on 31st March 2024, the Council has only one alternative option –
- To do nothing and self-insure without additional insurance cover.

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5. Background

- 5.1 The Council's insurance programme is designed to protect its financial position in respect of losses it may suffer when undertaking the diverse nature of activities required to meet statutory duties and general business functions and income generating operations.
- 5.2 The current programme is held under a 5-year Long Term Agreement. This agreement ended on 31st March 2023 and a new programme was due to be tendered for 1st April 2023 onwards however, with Cabinet approval in September 2022, the decision was taken to extend the contract for a further 12 months until 31st March 2024.
- 5.3 This report outlines the tender exercise and a report back will be made to Cabinet on the results of the procurement, seeking approval of the award of contracts to the successful bidders and authorisation of implementation action to be taken by the Executive Director of Finance and the Council's Monitoring Officer, after consultation with the Cabinet Member for Finance and Communities.

6. The Current Programme

- 6.1 The main insurance programme is currently held with Zurich Municipal, who provide Buildings Insurance and QBE UK Limited who provide Combined Liability Insurance including Third party and Employers Liability and Motor Insurance for the vehicle fleet.
- 6.2 In addition, the Council purchases several smaller policies with various other insurers. These include, but are not limited to:-
- Industrial & Commercial Properties – AIG
 - Personal Accident / Business Travel/ Out of School Activities AIG
 - Terrorism – Lloyds Market
 - Hired Plant – Allianz Insurance PLC
- 6.3 The objectives of the programme are to:

- Provide financial certainty in relation to the Council's maximum exposure to individual high value claims and the overall cost of claims in any one year.
- Provide financial certainty for claims that have been incurred but may not be reported for many years in the future.
- Comply with the terms and conditions of contracts / agreements entered into by the Council. It should be noted that in the absence of an appropriate insurance programme, the Council will be at risk of significant financial loss.

7 Value

- 7.1 The overall cost of external premiums currently exceeds £1.7 million. The cost of premiums is met from the Bury Insurance Fund which is financed from the baseline budget and a school recharge programme.
- 7.2 The cost of premiums is controlled by Bury Council retaining the first part of any loss through variable levels of self-insurance (excess). The excess levels vary, dependent on the policy, and they are between £0 and £250k.

8. Tender

- 8.1 The cost of obtaining new insurance arrangements will exceed the current PCR (Public Contract Regulation) thresholds and the Council is therefore required to competitively tender for new policies. The process will ensure the Council purchases the widest ranging cover that meets the varied needs of the organisation and ensures that all services are adequately protected.
- 8.2 Due to the specialist nature of the insurance market sector, the process will be overseen by the Council's Insurance broker – A.J.Gallagher. The Council has traditionally procured its own contracts through a specialist local authority insurance broker and proposes to again follow this model.
- 8.3 With the assistance of the Council's Procurement Team, A.J.Gallagher are developing an 'Invitation To Tender' document. Cover will be divided into lots and insurers will be invited to bid for all or any of the lots.
- 8.5 It is proposed for the 'Invitation To Tender' to be open for a period of 8 weeks. Once this deadline has passed, an evaluation process will consider submissions against agreed selection criteria. The evaluation criteria have yet to be agreed, however it is expected the criteria used will assess aspects such as financial certainty, depth of cover, service delivery, social value and claims handling. A.J. Gallagher will ultimately present a final report setting out the recommendations for cover.

9. Contract Award and Start Date

- 9.1 Contracts will be awarded based on the most advantageous bid, after consideration of all factors in the evaluation matrix.
- 9.2 It is proposed that the Council will agree one or more contract(s) for a period of 3 years, with the option to extend for one further period of two years (i.e. 3+2).
- 9.3 Cover for all policies will commence on 1st April 2024

Links with the Corporate Priorities:

Provision of Insurance Policies minimises the risk of the loss of public funds due to having to fund the repair / replacement costs/ any legal cases for damages following a significant loss / catastrophe, e.g. the loss of a life / building. The control and mitigation of the loss of funds gives the assurance that public money is used in an appropriate manner to deliver the Corporate Priorities.

Equality Impact and Considerations:

An Equalities Impact Assessment has been carried out with no adverse impacts identified. This is available upon request.

Environmental Impact and Considerations:

N/a - no carbon impact

Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
There is an opportunity to save the cost of Insurance Premiums by the Council opting to not go out to tender and to self-insure from 1 st April 2024	In a period of financial uncertainty, proceeding without insurance cover is not recommended as the Council would risk significant claims spend – particularly if a total property loss was to be suffered or a catastrophic personal injury claim was to be received. By Cabinet approval of the proposal to tender for new Insurance Policies the Council is able to explore all available market options, which is considered advantageous whilst the insurance market remains unsettled.

Legal Implications:

The proposed procurement route is compliant with both the Public Contracts Regulations 2015 and the Council's Contract Procedure Rules 2022. The Council is utilising the services of its broker A J Gallagher to carry out the evaluation process on its behalf and will therefore have to be satisfied that this is carried out in a compliant manner.

Financial Implications:

There is only one other option available to the Council and this is to do nothing and self insure. The Council would have no insurance cover and would be totally exposed to unpredictable expenditure. The premium spend would be saved but there would be potential for significant claims spend, which would need to be met from the insurance reserve which currently covers off our excess and self-insured elements. The recommended option of proceeding to tender, is considered to carry the least amount of risk in terms of financial impact.

Appendices:

None

Background papers:

None

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning