



To: Executive Councillor for Finance and Resources:
Councillor George Owers

Report by: Head of Finance

Relevant scrutiny committee: Strategy & Resources
14/7/2014
Scrutiny Committee

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

INSURANCE SERVICES CONTRACT

Key Decision

1. Executive summary

1.1 The existing contract for Insurance Services expires on 31st March 2015. This report seeks Executive Councillor approval to re-tender in accordance with the Council's Contract Procedure Rules.

2. Recommendations

The Executive Councillor is recommended:

- 2.1 To authorise officers to undertake the re-tendering and award of the Council's Insurance Services contract for an initial period of 3 years to 31st March 2018 with the Council's option to extend the contract for a further period up to 2 years to 31 March 2020, subject to the preferred tender price being within 5% or less of the approved budget and if necessary to the approval of the Director of Transformation to any additional expenditure.
- 2.2 To approve the appointment of a broker to assist with the tender process.

3. Background

3.1 The Council's current 5 Year Long Term Agreement for Insurance Services is with Zurich Municipal and this contract expires on 31st March 2015. The Council currently holds the following insurance cover: -

- Casualty Insurance (Liability)
- Property Insurance
- Motor Insurance
- Engineering Insurance
- Additional Specific covers e.g. Computer, Fidelity Guarantee, Land Charges

3.2 It is intended to structure the procurement by breaking the insurance cover into Lots; this will enable potential bidders to bid for one or more lot increasing competition.

3.3 The Council has chosen to take some risk upon itself by accepting policy excesses, where each claim is met by the insured up to a pre-defined limit. To manage the 'self-insurance' the Council has built up an Insurance Fund to cover any losses up to the pre-defined limits. As part of the tender process we will work with the brokers to assess whether the existing arrangements are still the most efficient.

3.4 The Council has looked into the possibilities of collaborative working on insurance but the differing nature of individual authorities insurance arrangements make this impractical. To realise any financial advantage from a collaborative exercise each participating authority would have to agree on the same levels of cover for all classes of insurance and in addition agree to the same levels of deductibles and self-insurance.

3.5 The advantages of using a broker to assist with the tender process are: -

- Good current understanding of the insurance market.
- A number of the key providers of insurance in the Public Sector may not respond direct to the tender or subsequently deal directly with the City Council if they are successful in the tender process.
- Responses from a number of insurers including engineering insurers; alternative motor insurers and a few other areas will not be forthcoming unless brokers are involved.
- The involvement of brokers will encourage holding insurers to be more competitive.

Value for money is more likely to be achieved by obtaining a larger number of packages and individual quotes.

4. Implications

(a) Financial Implications

The estimated total contract value, for a potential period of 5 years, is £2,500,000. This figure is based on current year costs plus a margin for inflation given the current market.

The funding of brokers to assist with the tender process will be met from the Insurance Fund. It is anticipated that broker costs will be less than £5,000.

(b) Staffing Implications (if not covered in Consultations Section)

A change of the Council's insurer will entail some additional work by certain members of staff dealing with the administrative detail of changing insurers. Establishing the Council's preferred contractor at the earliest opportunity should assist with this changeover

(c) Equality and Poverty Implications

There are no equal opportunity implications as a result of this proposal

(d) Environmental Implications

There are no environmental implications from this proposal

(e) Procurement

There are 2 procurement options available for the Insurance Services Contract:

a) A full European Union Procurement Procedure where it is anticipated that the procurement route taken will be either the Open or Restricted route.

b) Utilising the ESPO Pro 5 Framework agreement for Insurance Services.

Officers will take advice on the most appropriate route for the procurement given the limited relevant market.

(f) **Consultation and communication**

There are no additional implications from this proposal

(g) **Community Safety**

There are no additional implications from this proposal

5. Background papers

6. Appendices

7. Inspection of papers

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

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