

Item

## **INSURANCE SERVICES CONTRACT**

**To:**

Councillor Richard Robertson, Executive Councillor for Finance and Resources

Strategy & Resources Scrutiny Committee    01/07/2019

**Report by:**

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**Wards affected:**

All

### Key Decision

#### **1. Executive Summary**

- 1.1 The existing contract for Insurance Services expires on 31st March 2020. 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 to:

- 2.1 To authorise officers to undertake the re-tendering and award of the Council's Insurance Service contract for an initial 3 years to 31 March 2023 with the Council's option to extend the contract for a further period up to 2 years to 31 March 2025, subject to the preferred tender price being with 10% or less of the approved budget and if necessary to the approval of the Strategic Director to any additional expenditure.

- 2.2 To authorise officers to review the Local Government Mutual offering to establish if this is a viable alternative to the traditional insurance arrangements, the review will also include the Local Government procurement arrangements as the Local Government Mutual will not participate in a formal tender exercise.

### **3. Background**

#### Insurance Tender

- 3.1 The Council's current 5 year Long Term Agreement for Insurance Services is split across multiple insurers, the agreements expire on 31 March 2020. The Council currently holds the following insurance cover:-
- Casualty Insurance (Liability)
  - Property Insurance
  - Motor Insurance
  - Engineering Insurance
  - Terrorism
  - Additional Specific covers e.g. Computer, Crime, 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 the 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.
- 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 Officers will work with the procurement team and our existing broker to establish the most efficient and competitive procurement route,

the options are utilising a framework contract via a mini competition or undertaking a full OJEU procurement.

### Local Government Mutual

- 3.6 Thirteen councils, along with the Local Government Association (LGA), have joined together to establish the new Local Government Mutual. Its aim is to draw on best practice from other mutuals and offers a cost-effective alternative to traditional insurance products and services.
- 3.7 The Local Government Mutual will be run by a board of directors who are elected by the membership, including people with experience in senior local authority positions. The day-to-day management of the mutual is handled by LGM Management Services Limited, a joint venture between LGA Commercial Services Ltd (an LGA group company) and Regis Mutual Management, a leading mutual development and management company.
- 3.8 The Mutual is a hybrid discretionary mutual, the Mutual pools its contribution income, covering the cost of low-level, expected losses and arranging insurance in the name of the members for larger, unexpected losses.
- 3.9 The mutual is yet to sign up its first paying members but is in talks with a number of Councils.
- 3.10 There is still some uncertainty about the Local Government Mutual with a number of questions remaining unanswered at this stage:
- Who are your reinsurers?
  - Which risks are they reinsuring?
  - What do you expect the take up to be in April 2020?
  - What criteria will you use in assessing the risks in front of you?
  - What expertise do you have in underwriting public sector risks?
  - What happens if an authority wishes to leave?
  - Do you have any policy wordings we can see?
  - How do I evidence joining or remaining is best value for my Authority?

We are unsure at this stage whether the anticipated savings on Insurance premium Tax (IPT) will be realised if the majority of cover will in fact be re-insured.

- 3.11 We are hopeful that these and other questions will be answered as we progress with the tender exercise. We will also communicate with other local authorities

### Broker

- 3.12 The Council intends to retain its existing broker to assist with the tender exercise, the advantages of using a broker to assist with the tender process are: -
- Excellent 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.

## **4. Implications**

### **a) Financial Implications**

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The estimated total contract value, for a potential period of 5 years, is £2,850,000. 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 £3,000.

### **b) Equality and Poverty Implications**

There are no additional implications from this proposal

### **c) Environmental Implications**

There are no additional implications from this proposal

#### **d) Procurement Implications**

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 Framework agreement for Insurance Services.

Officers will take advice on the most appropriate route for the procurement taking into account the current market.

#### **e) Community Safety Implications**

There are no additional implications from this proposal

### **5. Consultation and communication considerations**

There are no additional implications from this proposal

### **6. Background papers**

No background papers were used in the preparation of this report.

### **7. Inspection of papers**

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

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