

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO POLICY AND FINANCE COMMITTEE

INFORMATION

Agenda Item No 20

meeting date: 10 SEPTEMBER 2013
title: CONTRACT FOR INSURANCE SERVICES
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To inform Committee of the recent procurement exercise for the Council's insurance services.

1.2 Relevance to the Council's ambitions and priorities:

- Council Ambitions/Community Objectives

None directly. However, in accordance with the Council's risk management policy it is essential that all our functions and services be adequately insured.

- Other considerations

The Council are legally bound to ensure adequate insurance arrangements are maintained in certain areas e.g. employers liability.

2 BACKGROUND

2.1 The last full tendering exercise for our insurance services was carried out in 2006. At that time we advertised the opportunity in accordance with EU regulations, which resulted in our entering into a 5 year long-term agreement with Zurich Municipal. The agreement also gave us the option to extend for a further two years, should terms be favourable.

2.2 During 2010 we received notification from the Lancashire Procurement Hub (LPH) of which the Council were members, saying that they were looking to take forward a national procurement project for insurance services. We provided details of our insurance spend, excess levels, claims experience, etc. to the LPH and considerable progress was made on the project. In early 2011 we were advised that the project would be delayed by approx 6 months. Given that the renewal date for our insurance was June 2011 we would need to look outside the project for our insurance cover.

2.3 A report was presented to Policy and Finance Committee on 29 March 2011 and members resolved to agree to an extension of the current contract for a further 1 or 2 years depending on the terms offered. At the end of this period it was resolved that a full tendering exercise be carried out.

2.4 Following discussions with our insurers, the existing agreement was extended for a further two years until 19 June 2013.

2.5 The LPH which was funded by the Regional Improvement and Efficiency Partnership, ceased to exist with effect from 31 March 2012 when that funding ended.

3 2013/14 TENDERING EXERCISE

- 3.1 As the opportunity of a joint procurement through the LPH was no longer available to us, other opportunities for joint procurement were sourced.
- 3.2 Through the Government Procurement Service (GPS) we were able to identify a collaborative framework developed by them in conjunction with Pro5, which comprises of the Yorkshire Purchasing Organisation (YPO), Central Buying Consortium (CBC), Eastern Shire Purchasing Organisation (ESPO) and North East Procurement Organisation (NEPO).
- 3.3 The use of Framework Agreements such as the GPS/Pro5 Insurance Services Framework allows us to ensure that the procurement is EU compliant through use of a pre-competed route to the market, which in turn allows a vastly reduced procurement timeframe. It also allows us to share procurement expertise and resources.
- 3.4 Providers on the framework are pre-qualified as to their general suitability. This means when buying services from them we are assured that they meet the appropriate standards in the provision of insurance.
- 3.5 The insurance framework offered the opportunity for the procurement to be undertaken direct with insurance suppliers, or for broker services to be procured, who would in turn procure our insurance services. In our case, the costs of initially procuring a broker were excessive, due to the small scale of our contract. Therefore, we dealt directly with the insurance service providers on the Framework.
- 3.6 Invitations to tender were sent to all insurers identified in the framework agreement as willing to quote directly with ourselves. Documents were sent to 4 insurers in total, some prepared to quote only for specific types of business such as computer or terrorism insurance whilst others were able to provide for our full range of insurance requirements. Invitations to tender were sent by email on 7 June 2013 with a deadline for return of 12 noon on 28 June 2013.
- 3.7 A number of queries were raised by prospective tenderers and answered as appropriate, however when the deadline arrived, only one tender was received – from our existing insurers, Zurich Municipal. The tender was opened on the afternoon of Friday 28 June 2013 in the presence of the Chairman of this Committee and the Head of Financial Services.
- 3.8 In accordance with the tender specification, the quotation from Zurich Municipal detailed the annual premium in respect of a 3 year agreement and a 5 year agreement and included discounts for the whole range of our insurances being placed with them as sole insurer. The annual premium payable should we enter into a 3 year agreement was £129,627, and for a 5 year agreement £123,005 – both these figures are inclusive of Insurance Premium Tax which is charged at a rate of 6%.
- 3.9 Following discussion with the Head of Financial Services and the Director of Resources, the tender submitted by Zurich Municipal for a five year term agreement effective from 20 June 2013 was accepted.

4 PREMIUMS

4.1 Renewal terms for 2013/14 are as follows:

| Policy | Premium | | Increase/ Decrease £ | % | Notes |
|-------------------------|----------------|----------------|----------------------------|------------|--------------|
| | 2012/2013 £ | 2013/14 £ | | | |
| Material Damage (Fire) | 12,422 | 13,407 | 985 | 7.9 | |
| Terrorism | 2,287 | 3,178 | 891 | 39 | ¹ |
| Business Interruption | 2,389 | 1,750 | -639 | 26.7 | ² |
| Theft | 1,359 | 1,359 | - | - | |
| Money | 588 | 581 | -7 | 1.2 | |
| All Risks | 7,222 | 4,693 | -2,529 | 35 | ³ |
| Public Liability | 27,300 | 29,170 | 1,870 | 6.8 | |
| Professional Negligence | 689 | 636 | -53 | 7.7 | |
| Officials Indemnity | 1,568 | 1,619 | 51 | 3.2 | |
| Employers Liability | 15,900 | 16,392 | 492 | 3.1 | |
| Libel and Slander | 493 | 498 | 5 | 1 | |
| Motor | 37,314 | 36,599 | -715 | 1.9 | |
| Engineering | 4,502 | 6,633 | 2,131 | 47.3 | ⁴ |
| Fidelity Guarantee | 1,203 | 1,434 | 231 | 19.2 | ⁵ |
| Land Charges | 1,805 | 1,453 | -352 | 19.5 | ⁶ |
| Personal Accident | 778 | 933 | 155 | 19.9 | ⁷ |
| Public Health Act | 321 | 323 | 2 | 0.6 | |
| Computers | 2,325 | 2,347 | 22 | 0.9 | |
| | 120,465 | 123,005 | 2,540 | 2.1 | |

Notes

- ¹ Industry wide increase.
- ² Reduction in gross revenue expected.
- ³ Reduction in number/value of items to be covered under policy.
- ⁴ Increase in inspection fees nationally. No increased risk.
- ⁵ Industry wide increase.
- ⁶ Reduction in anticipated income.
- ⁷ Industry wide increase.

4.2 The total cost of premiums for 2013/14 has risen by £2,540 (2.1%) on the previous year's figure. The package and long-term discounts we have secured have offset to a large extent the increase in premiums that have been seen nationally in casualty and motor areas.

4.3 Our overall claims experience continues to be very good with a fall in the number of claims submitted in 2012/13 compared to previous years.

Claims experience over the last 5 years is as follows:

| | |
|---------|----|
| 2008/09 | 19 |
| 2009/10 | 24 |
| 2010/11 | 17 |
| 2011/12 | 16 |
| 2012/13 | 12 |

| | Liability | Motor | Property | Total |
|-----------------------------|-----------|-------|----------|-------|
| Claims outstanding 20.06.12 | 2 | 9 | 2 | 13 |
| Claims during year | 3 | 8 | 1 | 12 |
| Settled during year | 3 | 7 | 2 | 12 |
| Claims outstanding 19.06.13 | 2 | 10 | 1 | 13 |

5 RISK ASSESSMENT

5.1 The approval of this report may have the following implications.

- Resources – cost to the Council in defending any legal action as a result of a lack of insurance cover and cost of any premium increases as a result of poor claims history. The insurance contact can be met within existing resources.
- Technical, Environmental and Legal – the Council are legally bound to ensure adequate insurance arrangements are maintained in certain areas, e.g. employers' liability. The Council's contract procedure rules and EU Legislation were fully complied with.
- Political – no implications identified.
- Reputation – if the Council failed to comply with legislation or failed to adequately insure it would reflect badly on our reputation. Openness and transparency in our procurement arrangements ensures the protection of the Council's reputation.
- Equality and Diversity – The procurement was open to all potential providers on the framework and all were treated equitably within the process.

6 RECOMMENDED THAT COMMITTEE

6.1 Note the decision to appoint Zurich Municipal as the Council's insurers on a five year long term agreement from 20 June 2013.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

PF38-13/MA/AC
29 August 2013

BACKGROUND PAPERS

None

For further information please ask for Mick Ainscow, extension 4540