

## **Cabinet – 14 February 2018**

### **Renewal of the Council's Insurance Arrangements from 1 April 2018**

**Portfolio:** Councillor S Coughlan Leader of the Council

**Related portfolios:** All

**Service:** Finance – Council Wide

**Wards:** All

**Key decision:** Yes

**Forward plan:** Yes

#### **1. Summary**

- 1.1 On 19 June 2013 Cabinet was informed that following an OJEU compliant tender process the Council's insurance contracts were awarded to Zurich Municipal for Property Damage and Motor policies, Travelers Insurance for Liability Insurance policies, Risk Management Partners for Fidelity Guarantee Insurance and Chubb Insurance for Personal Accident Policies for a period of 3 years with an option to extend for a further 2 years up to 31 March 2018.
- 1.2 For the renewal on 1 April 2015 Travelers Insurance withdrew from the Liability Insurance arrangements and following another tender exercise the Liability Insurance policies were awarded to Zurich Municipal following a Cabinet report dated 18 March 2015 for a period of 3 years expiring 31 March 2018.
- 1.3 A mini-competition tender exercise for all of the insurance policies has been undertaken using the Crown Commissioning Service (CCS) Framework Agreement RM3731 – Insurance Services for the renewal on 1 April 2018, for a period of 3 years, with an option to extend for a further 2 years from 1 April 2021 to 31 March 2023.
- 1.4 The original timetable for the submission of tenders was extended, following consultation with the Procurement Team, due to receiving requests from 2 of the main insurers in the market for an extension of time to submit their bids and the high number of clarification questions received (106).
- 1.5 As a result of this extension it has not been possible to complete the tender evaluation exercise in time to meet the Cabinet reporting deadline and to allow for Scrutiny Call-in and the 10 day standstill period once the decision to award has been notified to the prospective bidders and to commence the new insurance arrangements with effect from 1 April 2018. Cabinet is requested to delegate the award to the Assistant Director of Finance (Chief Finance Officer).

- 1.6 This is a key decision because the cost of the premiums for the insurance policies exceeds the threshold for significant expenditure and it will have an affect across more than two wards.

## **2. Recommendations**

- 1.1 That Cabinet delegate authority to award contracts for the provision of Insurance and Claims Handling Services, as set out in section 3.6 of this Cabinet Report, to the Assistant Director of Finance (Chief Finance Officer), for the period 1 April 2018 to 31 March 2021, with an option to extend for a further 2 years from 1 April 2021 to 31 March 2023.
- 1.2 That Cabinet delegate authority to the Assistant Director of Finance (Chief Finance Officer), to subsequently authorise the sealing of any deeds, contracts or other related documents for the services referred to in Recommendation 2.1 of this report.

## **3. Report detail**

- 3.1 At their meeting on 19 June 2013 Cabinet was informed that the contracts for the Council's insurance arrangements had been awarded as follows:
- Zurich Municipal – Property and Motor Insurance  
Travelers Insurance – Liability Insurance  
Risk Management Partners – Fidelity Guarantee Insurance  
Chubb Insurance - Personal Accident and School Journey Insurance
- 3.2 The award of these contracts followed an OJEU compliant tender exercise on the basis of a 3 year agreement with an option to extend for a further 2 years. The contracts were to run from 1 April 2013 to 31 March 2018.
- 3.3 The policies were placed with a 5 year long term agreement (LTA). A long term agreement is worded such that if the insurer offers renewal terms at each annual renewal (1 April) on existing terms and conditions the insured (the Council) is obliged to accept that renewal. In exchange for that commitment the insurer allows a discount of 5% from the premium charged. If the insurer breaks the LTA and alters the terms (for example the premium rate) the insured is free to tender the arrangements. If the insured breaks the LTA the insurer is entitled to claim back the discounts paid.
- 3.4 For their renewal on 1 April 2015 Travelers Insurance broke the LTA on the Liability Insurance arrangements by requiring a substantial increase on the premium rate to be charged on these policies. As a result of this the Council tendered these policies using the Crown Commissioning Service (CCS) Framework for Insurance Services. That contract was awarded to Zurich Municipal following a report to Cabinet at their meeting on 18 March 2015. This policy was placed on the basis of a 3 year LTA to 31 March 2018.
- 3.5 The expiry of the long term agreement for all of these policies is due on 31 March 2018. Due to the successful outcome of the tender exercise for the Liability

Insurance arrangements from 1 April 2015 and the reissuing of the CCS Framework to include some new insurers to the local authority market it was decided to use the CCS Framework – Insurance Services RM3731 for this new mini-competition tender exercise.

3.6 The tender process has split the arrangements into the following lots:

- Lot 1 – Property and Pecuniary Insurance
- Lot 2 – Commercial and Leased Properties
- Lot 3 – Pool Re Terrorism Insurance
- Lot 4 – Casualty (Liability) Section
- Lot 5 – Crime
- Lot 6 – Personal Accident/Travel and School Activities/Journeys
- Lot 7 – Motor Insurance
- Lot 8 – Engineering Insurance and Inspection
- Lot 9 – Computers
- Lot 10 – Package (Lots 1, 3, 4, 7 and 9 combined)

3.7 The initial timetable for the tender process was to have received all clarification questions by 11 December 2017, with responses by 20 December 2017 and the deadline for tender submission was 5 January 2018.

3.8 Following a request from 2 of the main insurers in the market for an extension of time to submit the tenders and the large number of clarification questions received (106 in total) it was decided, in consultation with the Procurement Team, to extend the tender submission date to 19 January 2018.

3.9 Due to the extended deadline for tender submissions it is not possible to complete the evaluation exercise and to meet the deadlines to gain approval from Cabinet in sufficient time to be able to award the contract(s) with effect from 1 April 2018 taking into account the requirement for Scrutiny Call-in and the 10 day standstill period once the decision to award the contract has been communicated to the prospective bidders.

3.10 A delegated authority to the Assistant Director of Finance (Chief Finance Officer) to agree the award of the contract(s) following the tender evaluation exercise is requested with the award letters to be sent out following the end of the Scrutiny Call-in period on 23 February 2018 to allow sufficient time for the standstill period and the contracts to commence on 1 April 2018.

#### **4. Council Corporate Plan priorities**

4.1 The Council Corporate Plan 2017-2020 priorities are themed into 4 broad areas as follows

- Pursue inclusive economic growth
- Make a positive difference to the lives of Walsall people
- Children are safe from harm, happy and learning well with self-belief, aspiration and support to be their best.
- Safe, resilient and prospering communities

- 4.2 The Council's insurance arrangements support the delivery of the Council's Corporate Plan priorities as the insurance policies provide financial compensation when the Council suffers a loss. This can include damage to properties or compensation payments when the Council are found to be legally liable to pay compensation for damage to property or personal injury as a result of the negligence of the Council, its employees or contractors working on our behalf.

## **5. Risk management**

- 5.1 Insurance arrangements are an important part of the Council's overall risk management strategy. When considering the mitigation of the impact of the risks that the Council faces, insurance policies may be used as a risk transfer mechanism where in exchange for a known cost (the insurance premium) the insurance arrangements pick up the unknown future financial responsibility for the insured risks. This allows for future stability and allows greater risk taking within an informed environment.

## **6. Financial implications**

- 6.1 For the renewal on 1 April 2017 for the period of 2017/18 the total spend on external insurance arrangements was £1,200,000 (£1.2m). £350,000 of this relates directly to schools and is charged directly to schools. Any pressures or savings that are identified as part of this tender exercise will be reported as part of the budget setting and monitoring processes.
- 6.2 The insurance arrangements carry excesses of £250,000 per claim on liability and property damage claims and £50,000 on motor insurance claims. A series of reserves and provisions have been established to meet the cost of the claims that fall within these excess levels.

## **7. Legal implications**

- 7.1 The legal duty for a Council's finances falls within section 151 of the Local Government Act 1972 which includes amongst other things the requirement that the Chief Finance Officer makes appropriate arrangements for the protection of the Council's assets.
- 7.2 The services will be procured in full compliance with the Public Contract Regulations 2015 and Council's Contract Rules. Finance and Insurance and Loss Control will liaise with Legal Services about ensuring the signing or sealing of all call off contracts in the most appropriate, compliant and legally binding manner.
- 7.3 The recommendations in this report are also based on compliance with the Council's Best Value duty.

## **8. Procurement Implications/Social Value**

- 8.1 The Crown Commissioning Service (CCS) Framework Agreement RM3731 – Insurance Services was procured using a process compliant with the Public Contracts Regulations 2015 and the Council's mini-competition tender process has been carried out compliant with the Framework guidance.
- 8.2 In accordance with the Council's Social Value Policy, 5% of the overall tender evaluation criteria for these contracts is assigned to Social Value.
- 8.3 Steps have been taken to minimise procurement-related risk during the procurement process. However, there will always remain an inherent risk of legal challenge associated with any procurement undertaken by the Council. Input has been sought from Procurement, as required to ensure the conduct of compliant procurement process, thereby minimising the risks of legal challenge.

## **9. Property implications**

- 9.1 None directly as a result of this report.

## **10. Health and wellbeing implications**

- 10.1 None directly as a result of this report.

## **11. Staffing implications**

- 11.1 None.

## **12. Reducing Inequalities**

- 12.1 The implications for reducing inequalities have been taken into account and assessed as set out below.
- 12.2 There are no implications for reducing inequalities arising from these insurance arrangements.

## **13. Consultation**

- 13.1 Consultation has been undertaken with the Council's Procurement team, Legal Services and the Council's appointed insurance brokers Arthur J Gallagher who have assisted with the development of the tender documents and the promotion of the tender within the insurance market.

## Background papers

Invitation to tender document for the Provision of Insurance and Claims Handling Services Further Competition under CCS Insurance Services II Framework (RMS3731) for the period 1 April 2018 to 31 March 2021 with an option to extend for a further 2 year period

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