

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Corporate Services

Tendering Committee: 14 February 2013

Subject: Re-Tendering of the Council's Main Insurance Contracts

1. Purpose

- 1.1** This report provides information on the re-tendering of the Council's main Insurance Contracts. The Contracts are due for renewal on 1 March 2013.

2. Recommendations

- 2.1** Committee is asked to agree:

- i) that the Council's main Insurance Contracts are awarded to Risk Management Partners on the basis of long term agreements covering the period from 1 March 2013 to 31 July 2015; with the option to extend for a further two twelve month periods thereafter; and
- ii) that a report will be brought to a future Corporate Services Committee considering future approaches to risk management and options in relation to insurance coverage.

3. Background

- 3.1** The Meeting of the Corporate and Efficient Governance Committee on 18 January 2012 authorised the Interim Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee, to re-tender the Council's main Insurance Contracts, i.e. Property, Motor, Combined Liability, Official's Indemnity, Miscellaneous Risks and Personal Accident/Travel (including Educational Excursions).
- 3.2** A Report on the outcome of the re-tendering exercise would be submitted to a future meeting of the Tendering Committee for approval.
- 3.3** The Council's main Insurance Contracts have been re-tendered and, following the tender evaluation process, it is recommended that these Contracts be placed with Risk Management Partners. This is on the basis of Long Term Agreements with effect from 1 March 2013 to 31 July 2015 with the option to extend for a further two twelve month periods.
- 3.4** Since the decision in January 2012 to proceed the Leisure Trust has been formed and the Council's insurance policies as listed above also now cover the elements of service which have been passed to the Leisure Trust to manage.

4. Main Issues

- 4.1 The tendering process has taken longer than anticipated and the Insurance Companies who are currently underwriting these Contracts have agreed to extensions with effect from 1 August 2012 to 28 February 2013 whilst the tendering exercise has been undertaken.

A summary of the Insurance Programme, by lots, is as follows:

Lot		Sub-Categories within Lot (if any)
1 – Property	1a	General Property
	1b	Educational Property
	1c	Housing Stock
	1d	Commercial/Industrial Property
	1e	Contents of Homeless Persons Units
	1f	Growing Timber
	1g	Business Interruption
	1h	Money
	1i	Special ‘All Risks’
2 – Motor Vehicle Insurance		N/A – only one category within Lot
3 – Liability Insurances	3a	Employer’s Liability
	3b	Public & Products Liability
	3c	Libel and Slander
4 – Contractor’s All Risks		N/A – only one category within Lot
5 – Engineering Insurance - Computer		N/A – only one category within Lot
6 – Personal Accident & Travel Insurance (including Educational Excursions)	6a	Personal Accident (Insured Persons & Operative Time)
	6b	Travel (Insured Persons)
	6c	Educational Excursions
7 – Crime Insurance		N/A – only one category within Lot
8 – Official’s Indemnity		N/A – only one category within Lot

- 4.2 The Tender documentation and tender evaluation criteria stated that submissions in respect of each lot would be assessed on the basis of the most economically advantageous tender based upon price and qualitative criteria with a ratio of 60% price and 40% qualitative being applied, specified as follows:

- Price;
- Claims Handling Provision;
- Terms and Conditions;
- Service Standards;
- Risk Management/Business Continuity Provision;
- Enhancement in Cover; and
- Proactive Fraud Identification.

- 4.3** For the purpose of the financial evaluation, bidders were advised that the annual premium (i.e. 12 months) provided would be used to assess bids. For a number of lots (and where provided for, each sub-category within a lot) two options were provided i.e. a request to quote on existing basis and to quote on the basis of option 1. Where there was an option, it would be the most competitive option, applying the claims history data that would be used to assess bids. Bidders could submit a packaged or lot discount, however any package or lot discounts would not be considered as part of the financial evaluation.
- 4.4** Following the Pre-Qualifying Questionnaire stage of the tender process there were four potential bidders who were invited to tender for those lots which they had expressed an interest in; however only one bid was received. This bid covered all lots identified above. One of the potential bidders (who had an option to bid for one of the smaller lots) advised that they had posted a bid through Royal Mail, however this bid has not been traced within the Council. Another potential bidder (who had an option to bid for 4 of the lots) advised that they had decided not to bid after receiving the Invitation to Tender. The remaining potential bidder (who had an option to bid for the 8 lots) did not provide a bid.
- 4.5** In order to secure suitable insurance cover for the Council and Leisure Trust, and following a full tender evaluation process by application of the agreed award criteria and weightings as stated at 4.1 and 4.2, Risk Management Partners has been identified as the preferred bidder for all lots.
- 4.6** It is therefore considered that the Council's and the Leisure Trust's main Insurance Contracts covering lots 1 to 8 as noted above, be awarded to Risk Management Partners with effect from 1 March 2013. The Contracts will be awarded on the basis of Long Term Agreements with effect from 1 March 2013 to 31 July 2015 with the option to extend for a further two twelve month periods. This bid included a packaged discount, though this has not been included in the evaluation process.
- 4.7** In accordance with public procurement regulations, the Council and the Trust must allow for a 10 day standstill period before entering into formal contracts with the preferred bidder on 1 March 2013.

5. People Implications

- 5.1** There are no people implications.

6. Financial Implications

- 6.1** The total annual premium cost for all lots is £2,139,839, and adjusting for the expected package discount mentioned above and insurance premium tax the total annual cost is £2,162,229. Details of the individual Contract awards for lot 1 to lot 8 are provided in the attached Appendix.

- 6.2** Based on these figures the outcome of the tender evaluation process is to increase the cost of insurance over the current budgeted provision. This can in part be attributed to recent claims experience, particularly in relation to the January 2012 storm damage claim. It would also appear to be the case that there is a general increase in insurance costs across the market and in particular for cover for local authorities.
- 6.3** The effect of this increase will be across both the General Fund Account and the Housing Revenue Account, however officers will investigate options to mitigate and reduce the costs of insurance cover.
- 6.4** The Council operates a Prudential Reserve which allows for unforeseen expenditure items to be managed within the financial year; both the General Fund and the Housing Revenue Account have such a prudential reserve. As would be normal for such unforeseen cost increases the Corporate Management Team will require to consider how this can be accommodated within existing budgetary provision, per the recently agreed General Fund and Housing Revenue Account budgets for 2013/14.
- 6.5** The process implemented had aimed to reduce the potential for higher premium costs by introducing the variant option as noted at 4.3 above which saw the excess element of the policies increased significantly from current levels. This has not had the expected effect.
- 6.6** The cost of the premiums identified above include a change to excess levels which are currently enjoyed and as a result of this there will be costs which are currently met by the insurers which in future will need to be met by the General Fund and HRA. These will relate to costs of repairs of premises, vehicles, etc which require to be absorbed within existing repairs budgets.
- 6.7** Historically the Council has adopted a risk averse position which has seen insurers taking on almost all risk by insuring with very low levels of excess on policies. When these policies were last tendered, the Council gained a significant saving, which was unexpected, of around £900,000 per year. This reduction was taken fully into the revenue accounts affected at that time as a saving. This tendering process has brought the insurance premiums back to levels previously experienced.
- 6.8** A number of Councils have created an Insurance Fund – a reserve fund – which would allow those Councils to have a much less risk averse approach to obtaining insurance and attain lower premium costs. West Dunbartonshire has never had such an approach and is therefore much more open to the state of the insurance market at the time of seeking a renewal. There is a requirement to consider the approach to risk and options around this will be presented to a future Corporate Services Committee.

7. Risk Analysis

- 7.1** Failing to agree the proposals would result in the Council and the Leisure Trust being exposed with no insurance cover until alternative arrangements can be put in place. It is considered essential therefore that the recommended bid should be agreed by Committee.
- 7.2** Officers had sought to mitigate the expected increase in costs which were anticipated in relation to our policies, as the insured value of the claim arising from the January 2012 storm and a general awareness of the insurance market had been considered. This was the reason behind adding into the tender process the options around excess levels.
- 7.3** In order to seek to mitigate the future cost of insurance premiums it is important that officers continue to review and ensure there are robust approaches to risk management including consideration of approaches through the Community Planning Partnership "Safe and Strong" theme to encourage safer communities. As stated above officers will consider the Council's approach to risk and whether in future a different balance between excess levels and insurance costs may be different to the current position.

8. Equalities Impact Assessment (EIA)

- 8.1** No significant issues were identified in a screening for potential equality impacts of this service.

9. Consultation

- 9.1** Consultation has taken place with Finance & Resources and Legal Services and representatives from both service provisions have been advising on relevant matters throughout the re-tendering process.

10. Strategic Assessment

- 10.1** This Report relates to all five of the Council's Strategic Priorities.

Angela Wilson
Executive Director of Corporate Services
Date: 12 February 2013

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Appendix:	Contract Awards for Lot 1 to Lot 8
Background Papers:	Report by Interim Executive Director of Corporate Services to Corporate Services Committee on 18 January 2012
Wards Affected:	All Wards.

Appendix

Invitation to Tender
Insurance and Claims Handling Provision
West Dunbartonshire Council and
West Dunbartonshire Leisure Trust
Contract award for Lot 1 to Lot 8

<u>Lot</u>	<u>Description</u>	<u>Annual Cost</u>
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1	Property	£769,747.00
2	Motor Vehicles	£231,984.00
3	Liability	£991,857.00
4	Contractor's All Risks	£16,445.00
5	Engineering Insurance - Computer	£6,743.00
6	Personal Accident & Travel	£19,800.00
7	Crime	£27,250.00
8	Official's Indemnity	£76,013.00

£2,139,839.00
