

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Corporate Services

Tendering Committee – 28 July 2009

Subject: Re-Tendering of Engineering Insurance Programme

1. Purpose

- 1.1** This Report provides information on the re-tendering of the Council's Engineering Insurance Programme (Engineering Insurance/Inspection and Hired in Plant Contracts) which are due for renewal on 1 August 2009.

2. Background

- 2.1** The Council's Engineering Insurance Programme is made up of three separate insurance policies i.e. Engineering Inspection, Engineering Insurance and Hired in Plant. These policies are subject of a Long Term Agreement and are written on a year to year basis. The Long Term Agreement was entered into on 1 August 2004. The Council is bound to agree to renew the policies for up to an aggregate period of three years provided that the Insurance Company offers renewal on broadly similar terms. The Long Term Agreement allows for a two year negotiated extension.
- 2.2** There is a statutory requirement on the part of the Council to ensure that its plant and machinery such as passenger/goods lifts, personal lifting equipment i.e. hoists/slides, vehicular lifting equipment, pressure systems etc are in good working order and safe to operate and use. The Engineering Inspection Policy ensures that an inspection service is in place in respect of any plant/machinery as detailed in the Council's Plant Schedule and that any such inspections are carried out within specified timescales thus ensuring the authority's compliance with this statutory obligation.

The Engineering Insurance Policy provides insurance cover in the event of damage resulting from sudden and unforeseen explosion of Pressure/Mechanical Plant. This also includes damage to 'Own Surrounding Property'.

The Hired in Plant Policy ensures appropriate insurance cover is in place in respect of loss of or damage to any item of plant i.e. a compressor, generator etc which is hired by the Council for the purpose of carrying out its business from an external company or contractor.

- 2.3** The meeting of the Corporate and Efficient Governance Committee on 29 April 2009 authorised the Executive Director of Corporate Services, in consultation with the Chair of the Corporate & Efficient Governance Committee to re-tender the Council's Engineering Insurance Programme.
- 2.4** A report on the outcome of the tendering exercise would be submitted to a meeting of the Tendering Committee to be held in July 2009 and thereafter reported to the Corporate and Efficient Governance Committee in September 2009.

3. Main Issues

- 3.1** The Council proceeded to tender its Engineering Insurance Programme with Tender Returns being assessed on a best value basis.
- 3.2** As part of the re-tendering process, the Council also stipulated that the successful Insurance Provider must be willing to engage in discussions with the authority with a view to entering into a suitable and mutually acceptable Service Level Agreement in respect of the handling of claims which may arise in relation to the Engineering Insurance Programme.
- 3.3** Insurance Providers were invited to tender on the basis of an Inspection Service for the insured property as detailed in the Council's Plant Schedule and subject to any changes i.e. additions or disposals of plant/equipment to ensure compliance with statutory obligations.

Insurance Providers were also asked to quote for 'Sudden and Unforeseen Explosion' and damage to 'Own Surrounding Property' in respect of Pressure/Mechanical Plant (Limit of Indemnity £500,000 and £250,000 respectively) and loss of or damage to any item of Hired in Plant.

- 3.4** There was a further option to quote for damage to 'Own Surrounding Property' cover with an increased indemnity limit of £1,000,000.
- 3.5** Tender submissions were received from five companies, although one company did not tender for all of the business and one company failed to meet the Tender submission deadline.
- 3.6** Following finalisation of the Tender Evaluation process, it was ascertained that the coverage offered by each Insurer mirrored that which is provided by the current Insurer, with the exception of the terms offered by the Company who did not tender for all of the business. Furthermore, the most economically advantageous Tender was received from Allianz Engineering.

On this basis and with a view to maintaining flexibility in the management of the Engineering Insurance Programme, it is considered that the Council's interests will be best served by placing the Contacts with Allianz Engineering on the basis of a 3 year Long Term Agreement with the option to extend for a further 2 year period. Under such an agreement, the Council is bound to offer the business to the existing Insurer, who calculates their premium in line with certain agreed parameters. If the sum is out with the agreed parameters, it is open to the Council to terminate the agreement and proceed to tender. The Long Term Agreement is subject to index linking to BEAMA (British Electrotechnical & Allied Manufacturers Association).

- 3.7** It is also considered to be in the best interests of the Council to increase the indemnity limit in relation to damage to 'Own Surrounding Property' to £1,000,000 to ensure that there is no potential exposure to the authority in the event of a major incident as a result of Pressure/Mechanical Plant explosion. The additional annual premium for this increased level of cover is £435.00.

4. Personnel Issues

- 4.1** There are no personnel issues.

5. Financial Implications

- 5.1** The outcome of the Tender Evaluation process has shown an increase of approximately £7,000 in the annual renewal premium for cover on a like for like basis. This can be attributed to an annual increase to cover increased costs, the Engineering Inspection Contract being rated on 'time costs' rather than sums insured figures and the amendments (additions) made to the Plant Schedule during the current period of insurance i.e. passenger lifts, lifting equipment and other miscellaneous items of plant having been added to the Schedule. An additional premium of £435.00 will also be incurred as a result of increasing the indemnity limit in relation to damage to 'Own Surrounding Property'.

The additional costs of £7,435 (approx) will be accommodated within the current budgetary provision and, as such, there are no adverse financial implications for the authority.

6. Risk Analysis

- 6.1** Failing to adopt the proposals may result in best value not being achieved by the Council in terms of premium costs, levels of cover and service provision.
- 6.2** By adopting these proposals, the Council will secure insurance cover that represents and maintains best value for the authority whilst still maintaining flexibility in the management of its Engineering Insurance Programme.

7 Conclusions

- 7.1** The Council's Engineering Insurance Programme has been re-tendered and following finalisation of the Tender Evaluation process, it is recommended that the Contracts be awarded to Allianz Engineering. This is on the basis of a 3 year Long Term Agreement with the option to extend for a further 2 year period

8. Recommendations

- 8.1** The Committee is asked to:-

(1) Agree the recommendation that the Engineering Insurance/Inspection and Hired in Contracts be awarded to Allianz Engineering on the basis of a 3 year Long Term Agreement with the option to extend for a further 2 year period with an increased indemnity limit of £1,000,000 in relation to the 'Own Surrounding Property' extension.

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Background Papers: Report by the Executive Director of Corporate Services to the Corporate and Efficient Governance Committee on 29 April 2009

Wards Affected: All Wards