

WEST DUNBARTONSHIRE COUNCIL

Report by Interim Executive Director of Corporate Services

Corporate and Efficient Governance Committee: 23 November 2011

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

1. Purpose

- 1.1 This Report provides information on the renewal/re-tendering of the Council's Insurance Contracts for the 2011/12 insurance year.

2. Background

- 2.1 The meeting of the Corporate and Efficient Governance Committee on 16 February 2011 authorised the Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee, to re-tender the Mortgage Property 'Right to Buy' Block Buildings Insurance Policy and to accept the most economically advantageous tender, the outcome of which would be reported to a future Corporate and Efficient Governance Committee.
- 2.2 The meeting of the Corporate and Efficient Governance Committee on 20 April 2011 authorised the Executive Director of Corporate Services, in consultation with the Chair of the Corporate & Efficient Governance Committee, to renew the Council's other Insurance Contracts i.e. Property, Combined Liability, Motor Fleet, Official's Indemnity, Miscellaneous Risks, Group Personal Accident/Travel and the Engineering Insurance/Inspection (including Hired-in Plant) Contracts which are subject of Long Term Agreements.
- 2.3 Where it was not considered that the acceptance of terms issued by current Insurers could be justified in terms of Long Term Agreements, relevant legislation or best value, the Executive Director of Corporate Services, in consultation with the Chair of the Corporate and Efficient Governance Committee, was authorised to proceed to tender for the renewal of such insurances.
- 2.4 A report on the outcome of the renewal of the Council's Insurance Contracts as detailed in 2.2 above which are subject of Long Term Agreements would be submitted to a subsequent meeting of the Corporate and Efficient Governance Committee on completion of the renewal process.

3. Main Issues

- 3.1** The Council proceeded to tender the Mortgage Property 'Right to Buy' Block Buildings Insurance Policy.
The Insurance Company who was underwriting this Policy at the time agreed to an initial two month extension and then a further two one month extensions with effect from 1 April 2011 whilst the re-tendering exercise was undertaken. The existing policy wording and cover as per the current arrangements at that time remained in force pending finalisation of the re-tendering process.
- 3.2** With a view to securing best value for the Council and property owners, the tendering process identified Ocaso S.A. UK Branch as the preferred bidder.
- 3.3** In accordance with public procurement regulations, the Council must allow for a standstill period before entering into the formal contact with the preferred bidder. The insurance cover provided by the current Insurer expired on 31 July 2011 and, as an interim measure pending finalisation of the tendering process, Ocaso S.A. UK Branch provided cover for the period until the formal contact was entered into i.e. with effect from 1 August to 31 August 2011.
- 3.4** The Mortgage Property 'Right to Buy' Block Buildings Insurance Contract was therefore awarded to Ocaso S.A. UK Branch with effect from 1 September 2011. The Contract is on the basis of a Long Term Agreement from 1 September 2011 to 31 March 2014 (renewable annually) with the option to extend for a further 2 year period.
- 3.5** In August 2007, the Council placed its main Insurance Contracts i.e. Property, Combined Liability, Motor Fleet, Official's Indemnity and Miscellaneous Risks with Risk Management Partners and their underwriting partner, Chartis Insurance UK Limited (formerly AIG (Europe) UK Limited). This was on the basis of a 3 year Long Term Agreement with the option to extend for a further 2 year period (the Long Term Agreement allows for a 2 year negotiated extension).
- 3.6** Under such an agreement, the Council is bound to offer the business to the existing Insurer, on an annual basis, who calculates their premium in line with certain agreed parameters. If the sum is outwith the agreed parameters, it is open to the Council to terminate the agreement and proceed to tender.
- 3.7** Renewal terms received from Risk Management Partners/Chartis Insurance UK Limited in 2010 were on the basis of a 2 year extension to the 3 year Long Term Agreement.

- 3.8** In terms of the existing 2 year extension to the 3 year Long Term Agreement, the Council offered its insurance business to the existing Insurer. The renewal terms received for 2011/12 were on the basis of the terms accepted for the 2 year extension last year i.e. 2010/11 & 2011/12 insurance years with existing rates having been applied to updated underwriting information this year i.e. property sums insured figures, current motor fleet schedule, wages and salaries figures etc. The Contracts were therefore renewed on 1 August 2011 with the current Insurers remaining on cover. The Contracts entered the final year of the Long Term Agreement on 1 August 2011 and will therefore be re-tendered with effect from 1 August 2012.
- 3.9** With regard to the Personal Accident/Travel (including Educational Excursions) Contracts, again the Council entered into a 2 year extension to the 3 year Long Term Agreement with ACE Europe in August 2010. The renewal terms received for 2011/12 were within the terms of the 2 year extension and the Contracts were therefore renewed on 1 August 2011 with the current Insurers remaining on cover. The Contracts will also be re-tendered with effect from 1 August 2012.
- 3.10** The renewal terms received in respect of the Engineering Insurance/Inspection (including Hired-in Plant) Contracts were within the terms of the existing 3 year Long Term Agreements and were therefore renewed on 1 August 2011 with the current Insurers, Allianz Engineering, remaining on cover.

4. Personnel Implications

- 4.1** There are no personnel issues.

5. Financial Implications

- 5.1** Given the renewal terms which have been secured as detailed above, there are no adverse financial implications for the authority.
- 5.2** With regard to the Mortgage Property 'Right to Buy' Block Buildings Insurance' Policy, following completion of the tender exercise, a reduction in premiums for owners at a time when, generally speaking, insurance premiums are increasing has been secured. It should be noted that the insurance premium for 2011/12 i.e. £593,507.28 is not a full year's equivalent to the 2010/11 insurance premium of £590,884.13. This is as a result of a higher rate being applied during the 4 month extension period from 1 April to 31 July 2011 as referred to in 3.1 above and an increase in insurance premium tax from 5% to 6% being implemented in January 2011.
- 5.3** Subject to any changes to the insurance risk profile, updated sums insured figures etc, on the basis of the reduced rates which have been secured following completion of the tender process, it is anticipated that the 2012/13 premium will be in the region of £563,000.

5.4 A premium summary for the insurance years 2010/11 and 2011/12 is provided in Appendix 1.

6. Risk Analysis

6.1 Failing to adopt these proposals may have resulted in best value not being achieved by the Council in terms of premium costs, levels of cover and service provision.

6.2 Adopting these proposals will ensure that the Council continues to make financial savings during the term of the Long Term Agreements and has maintained the level of insurance services provided whilst still maintaining flexibility in the management of its Insurance Programme.

7. Equalities Impact Assessment (EIA)

7.1 No significant issues were identified in a screening for potential equality impact of this service.

8. Strategic Assessment

8.1 This proposal will complement the Council's Social & Economic Regeneration strategic priorities by ensuring that our housing stock quality is maintained through the provision of adequate insurance cover.

9. Conclusions and Recommendations

9.1 The Mortgage Property 'Right to Buy' Block Buildings Insurance Policy was re-tendered and following finalisation of the Tender Evaluation process, the contract award was issued to Ocaso S.A. UK Branch. This is on the basis of a Long Term Agreement from 1 September 2011 to 31 March 2014 (renewable annually) with the option to extend for a further 2 year period.

9.2 The Council's other Insurance Contracts i.e. Property, Combined Liability, Motor Fleet, Official's Indemnity and Miscellaneous Risks, which are subject to Long Term Agreements were renewed on 1 August 2011 with the existing Insurers, Risk Management Partners/Chartis Insurance UK Limited, remaining on cover.

These Contracts will be re-tendered with effect from 1 August 2012.

9.3 The Personal Accident/Travel (Including Education Excursions) Contracts, which are also subject to Long Term Agreements were renewed on 1 August 2011 with the existing Insurer, ACE Europe, remaining on cover.

These Contracts will be re-tendered with effect from 1 August 2012.

9.4 The Engineering Insurance/Inspection (including Hired-in Plant) Contracts which are also subject to a Long Term Agreement were renewed on 1 August 2011. The existing Insurer, Allianz Engineering, has remained on cover.

9.5 The Committee is asked to:

- (1) note the arrangements that have been made regarding the re-tendering of the Mortgage Property 'Right to Buy' Block Buildings Insurance Policy with effect from 1 September 2011;
- (2) note the arrangements that have been made regarding renewal of the Council's other Insurance Contracts within the terms of existing Long Term Agreements on 1 August 2011.



David Amos
Interim Executive Director of Corporate Services
Date: 4 November 2011

Person to Contact: Stephen West, Head of Finance & Resources, Council Offices, Garshake Road, Dumbarton.
Tel 01389 737191

Appendices: Appendix 1 – Premium Summary for the Insurance Years 2010/11 and 2011/12

Background Papers: Report by the Executive Director of Corporate Services to the Corporate and Efficient Governance Committee on 16 February 2011

Report by the Executive Director of Corporate Services to the Corporate and Efficient Governance Committee on 20 April 2011

Wards Affected: All Wards

APPENDIX 1

RISK CATEGORY	RISK	PREMIUM 2010/11 (£)	PREMIUM 2011/12 (£)
Combined Property	Material Damage - Property, Business Interruption – Additional Expenditure, Removal of Debris, Professional Fees, Money, Theft, 'All Risks', Computer	£497,196.00	£478,080.36*
	Contractors 'All Risks' - Works in Progress	£9,300.00	£15,163.20*
Casualty	Public Liability Employer's Liability Official's Indemnity Libel & Slander Public Health Act	£550,000.00	£550,000.00*
Motor	Motor Vehicles	£130,470.00	£130,470.00*
Miscellaneous	Fidelity Guarantee	£11,000.00	£11,000.00*
	Personal Accident/Travel(Educational Excursions inc)	£20,561.76	£19,607.74*
Claims Handling	Claims Handling Fee	£49,120.00	£43,500.00*

RISK CATEGORY	RISK	PREMIUM 2010/11 (£)	PREMIUM 2011/12 (£)
Mortgage Property	'Right to Buy' Block Buildings Insurance	£590,884.13	£593,507.28*
Engineering	Engineering Insurance/ Inspection & Hired in Plant	£37,871.80	£37,871.84*

*Above figures exclude Insurance Premium Tax (presently rated at 6%) and VAT, where applicable.

** This figure is the annual net premium for 2011/12 including Insurance Premium Tax.