

**REPORT TO:** Executive Board

**DATE:** 5 November 2015

**REPORTING OFFICER:** Strategic Director – Community and Resources

**PORTFOLIO:** Resources

**SUBJECT:** Re-tendering of Insurance Contracts

**WARD(S):** Borough-wide

### **1.0 PURPOSE OF REPORT**

The current contracts for a range of insurance services are due to expire on 31 March 2016. The purpose of the report is to notify members that the Operational Director – Finance has given approval to commence a procurement process to re-tender those services.

### **2.0 RECOMMENDATION: That the Board notes that a procurement process will be entered into via The Chest with the purpose of securing the following insurance services:**

- **Property / Business Interruption cover**
- **Contract Works cover**
- **ICT Infrastructure cover**
- **Fidelity Guarantee cover**
- **Motor vehicle cover**
- **Uninsured Loss Recovery cover**

### **3.0 SUPPORTING INFORMATION**

- 3.1 In April 2011 the Council entered into five year contracts for a range of insurance services covering property / business interruption, contract works, ICT infrastructure, fidelity guarantee, motor vehicles and uninsured loss recovery. These contracts end on 31 March 2016.
- 3.2 The Council's insurance broker, Aon, is to manage a procurement process to re-tender these services. An insurance tender fee will not be charged as the annual broker fee paid to Aon is inclusive of this process.
- 3.3 Aon will evaluate the tenders received and make recommendations to the Council. Tender submissions will be assessed on both quality and price.
- 3.4 The contracts will be divided into six separate lots. This approach will encourage greater competition and allow specialist insurers to submit bids for specific lots.

- 3.5 The new contracts will run from 1 April 2016. The contract duration will be for three years with an option to extend for a further two years.
- 3.6 The aggregate annual value of the contracts is currently in the region of £300,000. As such, the procurement process is subject to European procurement rules and will be tendered accordingly.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 The Council's approach to purchasing external insurance is set out in the Risk Financing and Insurance Strategy.
- 4.2 The proposed method of procurement is consistent with the Council's procurement policies and procedures. The tender process will be carried out by Aon in conjunction with the Insurance Team and the Procurement Division using 'The Chest' procurement portal.

#### **5.0 FINANCIAL IMPLICATIONS**

- 5.1 There are a range of factors that will influence the financial outcome of this tender exercise. These include the Council's claims experience over the past five years, the current market conditions and any changes to the structure of the Council's insurance programme.
- 5.2 It should be noted that Insurance Premium Tax will increase from 6% to 9.5% with effect from 1 November 2015. This will apply to all policies purchased as part of this tender process.

#### **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 6.1 External insurance cover therefore helps prevent the need to redirect financial resources away from the Council's priorities in the event of a significant financial loss.

#### **7.0 RISK ANALYSIS**

- 7.1 External insurance cover helps to improve financial certainty by smoothing year on year fluctuations in the cost of claims and losses. It also provides financial protection against spikes in costs due to large losses and/or aggregate costs.
- 7.2 Failure to procure external insurance cover will leave the Council exposed to significant financial risk.

#### **8.0 EQUALITY AND DIVERSITY ISSUES**

None.

#### **8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

None under the meaning of the Act.