



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Finance and Governance
LEAD OFFICERS:	Director of Finance
DATE:	Thursday, 9 March 2023

PORTFOLIO/S AFFECTED:	Finance and Governance
WARD/S AFFECTED:	All
KEY DECISION:	Y

SUBJECT: Award of Contract for Long Term Agreement for Council Insurance Policies and Cover

1. EXECUTIVE SUMMARY

The Council's current long term agreement for insurance ends on 31 March 2023. The Constitution and Financial Procedure Rules requires the Director of Finance to arrange and administer all insurance cover subject to Executive Board approval. To ensure that there is continuity of cover an appropriate re-procurement exercise has been carried out for the Council's insurance requirements, in accordance with the UK Public Procurement Regulations. The results have been evaluated, with support from the Head of Corporate Contracting & Procurement and the Council's insurance broker Aon UK Limited, in order to have new insurance policies in place from 1 April 2023.

2. RECOMMENDATIONS

That the Executive Board approves:

- i) The award of the insurance contracts to the successful bidders for an initial period of three years, with option to extend for a further two year period;
- ii) The amendment levels of cover relating to elements of the Council's property and casualty cover to provide improved cover to the Council in the event of claims for these areas.

3. BACKGROUND

- 3.1. Under the Council's Constitution and Financial Procedure Rules there is a requirement for the Council and its schools, most of whom buy into the Council's insurance services under service level agreements, to have adequate insurance cover in place. There is also a statutory requirement for the Council to have certain insurances in place to cover areas such as employers liability, public liability, and motor vehicles The current policies, which have been in place under a long term agreement since 1 April 2017, are due to expire on 31 March 2023.

- 3.2. As the value of the insurance contracts is over the threshold prescribed under the Public Procurement Regulations 2015, a formal procurement for the main insurances was carried out using a YPO Framework. This commenced in November 2022. Separate procurements for specialist areas of insurance were carried out concurrently through quotation exercises agreed with the Head of Corporate Contracting & Procurement and Aon.
- 3.3. The main Council insurances and related services were re-tendered in lots. The specification allowed for bids to be made for any or all lots and included the following main areas:
 - Property, including material damage, work in progress, all risks, business interruption, money, and theft;
 - Casualty, including public and employers liability, officials indemnity, libel and slander and professional negligence;
 - Motor fleet;
 - Engineering and engineering inspection; and
 - Schools.
- 3.4. Quotes were also obtained for specialist areas of cover including terrorism, marine and hired in plant.
- 3.5. As part of the tender preparation the Insurance team reviewed the Council's existing insurance cover requirements, excesses, stop loss levels and indemnity limits with Aon. Alternative excess options and extensions of cover were identified for the future insurance arrangements for tenderers to bid on for the Property, Casualty and Motor Vehicle classes of cover. This was to enable an assessment to be carried out to determine if the alternatives identify would provide cost saving opportunities and to assess any increased costs associated with obtaining improved level of cover to the Council, whilst also making the Council a more attractive insurance risk for insurers.
- 3.6. The tender process aimed to select the providers of the Council's insurance cover for the next three years, with an option to extend this for a further two years. The process has been supported by the Council's insurance brokers, Aon UK Limited, who provided technical guidance. Colleagues from the Council Corporate Procurement team have also provided advice and support to the process.
- 3.7. Following an extensive tendering process bids were received from four interested parties. The bids received ranged from companies quoting for one lot to those who quoted for the full range of cover required by the Council.
- 3.8. Evaluation templates were prepared in accordance with the Council's Contract and Procurement Rules. The main evaluation criteria for all lots except engineering were price and price structure (60%), scope of policy (20%), and quality, range of service and claims handling (20%). The criteria for the engineering lot was price (30%), service (60%) and scope of cover (10%). Lots 5 and 8 were scored on a standalone basis. For the other lots there was the possibility for package discounts and so the Council's evaluation methodology was designed to compare what was the best overall package. Where a bidder bid for a lot the score for that bid was therefore based on the overall price/quality of that bid in combination with the best bids for the lots.
- 3.9. The bids submitted provided full details of the scope of all the policy cover, staff experience, training and development arrangements as well as their claims handling arrangements.
- 3.10. For Lots 1 to 4 and 6 to 7 based on the results of the tender evaluation – Combination A, which was to award all lots to Zurich Municipal, as the most economically advantageous overall package of policies for the Council based on the criteria set out in the tender document. The overall evaluation scores are set out in the table below.

Lot	Combination A	Combination B	Combination C	Combination D
Combined price score	60%	54.94%	57.90	59.74
Combined quality score	27.10	26.84	27.23	27.20
Combined total score	87.10%	81.78	85.13	86.94

- 3.11. For Lot 5 there were two bids, Bid A from Zurich scored 88.46% and Bid B scored 82.26%. For Lot 8 only one bid was received, from Zurich.
- 3.12. In addition, Aon have recommended that the smaller specialist areas of cover are placed with the following insurers based on the quotes received:
- Terrorism - Lloyds of London via Aon Underwriting Managers
 - Marine – Travelers; and
 - Hired In Plant – HSB Engineering.
- 3.13. Based on the quotes received and evaluation results the preferred insurance cover has a gross cost of approximately £1,685,660 including schools but excluding any discounts and commission. The exact final cost will not be known until the final analysis of the policies has been agreed. The 2023/24 insurance budget, excluding schools, is £1,002,800.
- 3.14. Following the evaluation of the tenders, and consideration of the options available to the Council, the following changes to excesses levels and levels of cover are recommended:
- Employer’s liability – increasing the excess from £25,000 to £50,000.
 - Corporate Properties - increasing the level of cover on from basic cover for Fire, Lightening, Explosion and Aircraft (FLEA) to All-risk cover.
 - Fidelity Guarantee – changing the policy from fidelity guarantee to crime.
 - Professional Negligence – increasing the blanket limit of indemnity form £2m to £5m.
 - Moving the Museum contents and items of historical significance form the All-risk policy to a Fine Arts policy.
- 3.15. The increase in the level of excess for Employer’s Liability cover would save approximately £25k (including Insurance Premium Tax (IPT)) per annum, compared to continuing with a £25k excess. In the past 5 years there have only been two cases where the £25k excess has been exceeded; once by £2.6k and once by £36.7k. Therefore, based on the past claims experience for this policy, the increase in the level of self-insurance is an acceptable risk for the savings that this would generate.
- 3.16. Consideration was given to also increasing the excess for Public Liability cover from £25k to £50k. This option is not considered to be cost effective. Using the last 5 years claims experience as a guide the saving in premium that would be achieved would be outweighed by the additional excess costs that would be borne by the Council for these claims.
- 3.17. Aon have strongly recommended that we increase the level of cover on the Council’s corporate property portfolio to an All risk policy. Whilst this would be an increase in premium of £12,522 (including IPT) it would extend the cover to include All Risks to the properties, which are valued as over £362.8m for insurance purposes. An All-risk policy would include cover for accidental damage and theft to the Council corporate property portfolio. The insured perils would be extended to include subsidence, escape of water and damage by Council vehicle. Aon consider that the cost of the additional premium is far outweighed by the additional cover that this policy would provide.
- 3.18. Changing the Council’s Fidelity Guarantee policy to a Crime Policy would give improved cover. The current policy provides £5m cover for eleven designated officers and only £500k for all other Council staff. The benefits of changing to a Crime Policy includes extending the £5m cover to all staff in respect of any claim relating employee dishonesty and including third party computer and funds transfer fraud.
- 3.19. The Council currently has a blanket Professional Negligence policy in place which has a £2m limit of indemnity for the majority of the services provided. However we have increased the limit

to £5m during the current long term agreement specifically for Legal Services and Adult Learning due to particular requirements of these teams. It is recommended that the limit of indemnity on this policy is increased to blanket cover of £5m for all services given the increasing volume, value and complexity of professional services that the Council is now providing to third parties, and the increasing costs associated with any claims that may be made against this policy.

3.20. The Museum contents and items of historical significance in the Old Town Hall and Blackburn Library are currently included in the All-risk policy. It is recommended that these items are transferred to a specialist Fine Arts policy. This type of policy has the following benefits in when compared to the existing cover:

- Wider transit, temporary removed and incoming loans limits, GBP 500,000 (compared to £50,000 under the current policy).
- 5% No Claims Bonus on renewal with the same market.
- Emergency Evacuation of the Museum collection.
- Minimum liability not covered by the Government Indemnity Scheme for items on loan from national institutions.
- Uneconomic Cost of Restoration.
- Support in the preparation and review of disaster recovery plans.
- One-on-one consultation with a dedicated member of the Fine Art team.
- Schedule reviews.
- Reconciliation of existing schedules, appraisals, and invoices.
- Current market data for fine art.
- Referrals to the leading specialists for appraisal, advisory, and conservation services.
- Consultation on storage and protective measures for your collections.
- Introduction to experts in collections handling and transit.

3.21. Once the award of the long term insurance agreement has been approved there is a requirement to allow a 10 day 'standstill' period to enable challenges to the process to be lodged.

3.22. The Executive Board is therefore requested to approve the successful bidders to provide the insurance cover and policies on behalf of the Council commencing on 1 April 2023, subject to any challenges being received during the standstill period referred to in 3.21 above.

4. KEY ISSUES & RISKS

4.1. Executive Board approval is required due to the nature and value of the contract.

4.2 Under the Council Constitution and Financial Regulations the Council and schools are required to have adequate insurance cover in place. The current policies are due to expire on 31 March 2023 and there is a need to appoint an insurance company to provide the relevant policies and cover immediately after this date.

4.3 If the Council does not have the required insurance cover in place it is breaching its statutory responsibilities. The Council would have to fund legal costs associated with defending any claims and pay any proven claims along with associated third party costs from the Council's revenue budget and reserves. Depending on the nature of the claims these could be significant sums.

5. POLICY IMPLICATIONS

5.1. None

6. FINANCIAL IMPLICATIONS

- 6.1. The Council provides for the insurance premium in its Revenue Budget. The Council's 2023/24 insurance budget is £1,002,800.
- 6.2. The final insurance costs will not be fully known until the full details for each of the policies is finalised.

7. LEGAL IMPLICATIONS

- 7.1. Failure to procure adequate and appropriate insurance cover will place the Council in breach of its statutory responsibilities. It will give rise to a significant risk of litigation, claims and complaints. The associated costs would have to be borne directly by the Council.
- 7.2. Procurement staff have been consulted throughout the re-procurement process to advise on compliance with the Council's contract procurement rules and procurement law and to mitigate the risk of a challenge.
- 7.3. The new contracts will commence from 1 April 2023 and will last for an initial period of three years, ending on 31 March 2026, with an option to extend for a further two years.

8. RESOURCE IMPLICATIONS

- 8.1. None

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. *(insert EIA link here)*

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. *(insert EIA attachment)*

9. CONSULTATIONS

- 9.1. Director of Finance

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with

equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

VERSION:	1
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CONTACT OFFICER:	Colin Ferguson
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DATE:	10/02/23
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BACKGROUND PAPER:	Strategy for Re-Procurement of Council's Insurance Requirements From 1 April 2023 approved by the Executive Member for Finance and Governance on 6 July 2022.
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