

**INSURANCE TENDER – COUNCIL LIABILITY INSURANCE**

**To:** General Purposes Committee

**Meeting Date:** 27th March 2018

**From:** Deputy Chief Executive

**Electoral division(s):** All

**Forward Plan ref:** 2018/036 *Key decision: Yes*

**Purpose:** To seek approval for the delegation of authority for the tendering and letting of the Council's liability and property owner insurance contracts. These are likely to be valued in excess of £500k per annum and to run for a minimum of 24 months, to the Council's Chief Finance Officer, in consultation with Chairman of General Purposes Committee.

**Recommendation:** General Purposes Committee is recommended to approve the delegation of authority to the Council's Chief Finance Officer, in consultation with the Chairman of General Purposes Committee, to agree and let contracts for the provision of liability and property owner insurance to the Council commencing 1st October 2018.

<b><i>Officer contact:</i></b>		<b><i>Member contacts:</i></b>	
Name:	Mark Greenall	Names:	Councillors Count & Hickford
Post:	Insurance Manager	Post:	Chair/Vice-Chair
Email:	Mark.greenall@cambridgeshire.gov.uk	Email:	<a href="mailto:Steve.Count@cambridgeshire.gov.uk">Steve.Count@cambridgeshire.gov.uk</a> <a href="mailto:Roger.Hickford@cambridgeshire.gov.uk">Roger.Hickford@cambridgeshire.gov.uk</a>
Tel:	01223 699112	Tel:	01223 706398

## **1. BACKGROUND**

- 1.1 Existing contracts of insurance for liability and property owner risks are due to expire on 30th September 2018. A tender exercise was carried out in 2017 but these specific lots were not let and an annual extension of the previous contracts was put in place to allow for a further procurement exercise. It is proposed that an EU compliant tender process is undertaken to procure contracts of insurance to replace existing arrangements.
- 1.2 Current insurance arrangements are aligned with other LGSS partner and client Councils, therefore a joint procurement exercise is being prepared which will look as far as possible to align insurance protection and contracts in order to achieve cost and contract management efficiencies.
- 1.3 The Council currently spends approximately £484k per annum on these insurances which cover the following risks;  
Employers Liability, Public Liability, Professional Indemnity, Officials Indemnity, Hirers Liability, Castle Court and Manor Tower Block.

In common with many of its peers the Council insures the majority of its risks in a traditional manner with relatively high self-insured retention levels. Self-insured retentions are catered for within the Council's insurance funding provision.

- 1.4 The Manor Tower Block (leased to Bellerby's College) and Castle Court (Study Inn Student Accommodation) are insured by the Council in accordance with the terms of the lease agreement entered into with the tenants.
- 1.5 The Council's appointed brokers will lead the procurement exercise with the support of LGSS Procurement to undertake a fully compliant marketing exercise engaging as many leading insurers as possible. The tender will be issued to the market in spring 2018 with responses due June 2018 for assessment and decision by July 2018. The new contracts of insurance will commence on 1st October 2018.
- 1.6 It is essential that the Council has in place a robust programme for protection against the financial exposure to insurable risks, alternative programme and design structures will be considered and the final structure will be agreed by Insurance in consultation with the Chief Finance Officer.
- 1.7 Due to the timing of the tender process it is efficient for authority to be delegated to the Chief Finance Officer, to be exercised in consultation with the Chairman of General Purposes Committee.

## **2. FINANCIAL IMPLICATIONS**

- 2.1 Market intelligence suggests that insurers are being more selective about the risks they insure and the level of premium they apply to insurance arrangements. We are seeing a position where insurers are looking to adjust their rates particularly in respect of education, highways and social care risks, therefore the general indication would be toward an increase in current premium levels or a significant increase in self-insurance.

- 2.2 The Council's annual renewal premium in 2017 for the classes of insurance to be tendered was £484k. In assessing the cost for the next few years no account has been taken of the changing size and shape of the Council, i.e. projected figures contain an element of uncertainty as they only reflect the 2017 position in terms of asset holding, employee costs and service provision.
- 2.3 The projected future insurance premiums, based on current programme structures are shown in the table below for reference.

	Previous Year*	Current Year*	Forecast	
	2016	2017	2018	2019
	£000	£000	£000	£000
External premium	534	484	561	578

\* Figures relate to Insurance year rather than Financial year  
(i.e. October to September)

### **3. ALIGNMENT WITH CORPORATE PRIORITIES**

#### **3.1 Developing the local economy for the benefit of all**

There are no significant implications for this priority.

#### **3.2 Helping people live healthy and independent lives**

There are no significant implications for this priority.

#### **3.3 Supporting and protecting vulnerable people**

There are no significant implications for this priority.

### **4. SIGNIFICANT IMPLICATIONS**

#### **4.1 Resource Implications**

The financial implications rising out of this procurement are set out in 2, above.

#### **4.2 Procurement/Contractual/Council Contract Procedure Rules Implications**

The tender is to be managed with the support of a Procurement Officer using the Council's e-tendering system to ensure that all contract procedure rules and regulations are met.

#### **4.3 Statutory, Legal and Risk Implications**

Statutory, risk and legal implications have been considered. It is worthy of note that the Council is only obliged to insure fidelity guarantee risks. All other risks are subject to the availability of an exemption due to the status of the Council. The Council however chooses through risk management, financial prudence and to ensure compliance, where required, within leases or contracts to retain insurance for the liability and property exposures

covered in this paper. In addition by virtue of lease agreements in respect of Castle Court and Manor Tower block are required to hold insurance for these assets.

The key risks arising from this proposal and the procurement are as follows;

Insurance team fails to oversee robust tender process leading to breach of EU regulations	Process is being managed by the Insurance Manager in consultation with LGSS Procurement and Council appointed insurance brokers to ensure full compliance with contracting regulations
Poor evaluation and decision making result in increased insurance costs over life of contract	Evaluation will be undertaken in consultation with appointed insurance brokers to ensure errors or omissions in bids are identified and final recommendations represent most economically advantageous outcome for the Council.
Poor financial evaluation leads to selection of inappropriate levels of self-insurance leading to higher lifetime costs	Working with appointed actuaries the Insurance Manager is undertaking a review against deductible of the Council's long term claims spend across liability and property risks to ascertain an appropriate level of self-insurance for the Council in the future.
The Council fails to successfully appoint a provider	There are generally 4 main bidders for the types of insurance being procured. However the market is growing in terms of competition and insurance is working with brokers to try and engage with new insurers to increase competition and reduce the risk of failed procurement.

#### **4.4 Equality and Diversity Implications**

There are no significant implications within this category.

#### **4.5 Engagement and Communications Implications**

There are no significant implications within this category.

#### **4.6 Localism and Local Member Involvement**

There are no significant implications within this category.

#### **4.7 Public Health Implications**

There are no significant implications within this category.

<b>Implications</b>	<b>Officer Clearance</b>
<b>Have the resource implications been cleared by Finance?</b>	Yes Name of Financial Officer: Tom Kelly
<b>Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement?</b>	Yes Name of Officer: Paul White
<b>Has the impact on statutory, legal and risk implications been cleared by LGSS Law?</b>	Yes Name of Legal Officer: Virginia Lloyd
<b>Have the equality and diversity implications been cleared by your Service Contact?</b>	Not applicable Name of Officer:
<b>Have any engagement and communication implications been cleared by Communications?</b>	Not applicable Name of Officer:
<b>Have any localism and Local Member involvement issues been cleared by your Service Contact?</b>	Not applicable Name of Officer:
<b>Have any Public Health implications been cleared by Public Health</b>	Not applicable Name of Officer:

<b>Source Documents</b>	<b>Location</b>
None	Not applicable