

Subject:	Orbis Insurance Tender 2020
Date of Meeting:	10th October 2019
Report of:	Executive Director for Finance & Resources
Contact Officer:	Rawdon Phillips
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Ward(s) affected:	(All Wards);

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The council's current contracts for insurance are due to expire on 31 March 2020. Before the existing contracts expire, the council is obliged to obtain quotes from the insurance market via a competitive tender.
- 1.2 It is proposed that the council partakes in an Orbis wide procurement of new contracts for insurance where an amalgamation of each of the Authorities volume and a contract term of up to 7 years should provide a more attractive economy of scale opportunity to potential insurance providers.
- 1.3 The Insurances which are to be provided under the new contracts for BHCC will include:-

Motor	Public Health	Engineering
Motor Claims Handling	Theft	Computers
Business Travel	Education	Hirers Liability
Terrorism,	Business Interruption	Jaipur Gate
Public Liability	Property Foster Carers	Astroturf
Employers Liability	Money	Housing
Professional Indemnity	Pavillion	Education comp
General (Exc Pavillion)	Museum Exhibits & Books	Commercial Properties
Liability Claims Handling	Motor Claims Handling	Engineering Inspection

2. RECOMMENDATIONS:

- 2.1 That the Committee approves the procurement of insurance policies via an Orbis wide joint procedure with East Sussex and Surrey County Council.

- 2.2 That the Committee grants delegated authority to the Executive Director of Finance & Resources to procure and award contracts for the provision of insurance as set out in section 1.3 of this report each with a term of up to 7 years.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 A tender for the provision of insurance policies to the council was last carried out in 2015 and the successful bidders were awarded contracts from 1st April 2015 to 31 March 2020
- 3.2 Orbis is now planning to run a new procurement process so that new contracts for insurance can be awarded with a planned commencement date of 1st April 2020. The current total annual premium for the councils insurances is £2,072,180.
- 3.3 The procurement strategy is to amalgamate the council's insurance requirements with insurance requirements from the other Orbis partners, and divide the tender into lots. These Lots will be based on insurance types (Class of Business) i.e. Lot 1 = Liability insurances, Lot 2 = Property insurance etc. Within these lots bidders will be required to provide separate quotes for each Authority. Where appropriate, bidders will also be requested to provide different deductible levels (Insurance excess).
- 3.4 The aim is for all 3 Orbis partners to have the same insurers for each Class of Business. This should provide easier contract management and claims handling by dealing with fewer providers, and will either mitigate potential increases or facilitate any potential insurance premium savings, via economies of scale for the insurance providers. However, this approach is flexible enough to ensure that the separate requirements of each Authority are also catered for.
- 3.5 The tender documents for the provision of insurance have been prepared by Jardine Lloyd Thompson (JLT); a specialist insurance broker for the public sector. JLT will be responsible for undertaking the initial evaluation of the tender responses. The additional value JLT will bring to this project is their substantial knowledge, experience and relationships, which will help form the procurement documents in order to encourage maximum competition and obtain the best value responses from insurance providers.
- 3.6 The procurement process will be led by East Sussex County Council (ESCC) on behalf of the other Orbis partners and ESCC will manage the tender via the South East shared services portal. A review of the procurement documents prepared by JLT will be undertaken by Orbis Procurement and Orbis Public Law prior to publishing the tender.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Option 1 – Each council to tender individually

Premiums may increase significantly due to offering reduced volumes and not taking advantage of economies of scale by consolidating volumes with other Orbis partners.

4.2 Option 2 – Orbis Procurement to manage the tender

Managing a tender in house will reduce the market engagement, as several of the larger insurance providers will only respond to reputable and recognised Insurance brokers. The use of JLT will provide access to these providers and provide expertise, especially during any clarification and evaluation stages.

5. **COMMUNITY ENGAGEMENT & CONSULTATION**

5.1 Orbis Procurement and Orbis Insurance have consulted with a specialist public sector insurance broker (JLT) who advised on current market conditions. JLT are well known to the Orbis insurance team as they have used their expertise and knowledge of the market previously

6. **CONCLUSION**

6.1 The current insurance arrangements are due to expire on 31st March 2020 following the end of the existing 5 year contracts.

6.2 The council requires ongoing insurances from 1st April 2020 to ensure any risk of potential claims against the council is significantly reduced.

6.3 It is hoped that all Orbis Authorities will benefit from the joint tender process, with lower premiums, or at worse, increases less than would have been via individual tenders. As with any tender, there is no guarantee that there will be insurance premium savings, since this will depend on the state of the insurance market at the time of the tender, the Authorities claims histories and also the appetite of insurers to take on our business.

7. **FINANCIAL & OTHER IMPLICATIONS:**

Financial Implications:

7.1 It is envisaged that while each Orbis partner will retain sovereign insurance policies, the joint tender and the placing of each type of insurance (Class of Business) with a single insurer, will result in the best value currently available from the Insurance market, since the 3 Orbis partners will represent a significant volume of business for the successful service providers. The consolidation of policies with one insurer for each class of business is also expected to facilitate administrative savings in relation to policy coverage and claims handling for all 3 Orbis partners.

7.2 The current annual total insurance premium spend for Brighton & Hove City Council (2019/2020) is £2,072,180

7.3 The total insurance premiums spend for BHCC over the 5 year term of the existing contract is £10.4m

For information the total spend for other Orbis partners over the 5 year term of the existing contract is:

ESCC	£6,835,740
SCC	<u>£7,773,415</u>
Total	£14,609,155

- 7.4 The length of any future contracts will be determined as part of the tender process. However, historically the council has entered into 5 year contracts. Indications are that a 7 year term may be available from 2020 and if so the recommendation is to take advantage to ensure stability of all Orbis partner insurance requirements and maximise either reduced increased or saving opportunities.
- 7.5 At this stage it is not possible to estimate the outcome of the tender process in terms of premium. However, the market is currently 'soft' meaning greater capacity, more competition and consequently downward pressure on premium rates. Also, the brokers are convinced that the potential economies of scale associated with the joint Orbis tender approach mean that this is the best way to proceed. The joint Orbis tender will be viewed by the market as a large and appealing piece of business and consequently of interest to many insurers. In real terms, this may result in either lower premiums or premium increases that are less than they otherwise would have been.

Finance Officer Consulted: James Hengeveld

Date: 01/07/19

Legal Implications:

- 7.6 The procurement of the contract for the provision of insurance services must be compliant with all relevant European & United Kingdom public procurement legislation as well as the councils Contract Standing Orders (CSOs). The value of the contract as a whole is such as will exceed the threshold at which a notice is required to be published in the Official Journal of the European Union notifying potential providers of the opportunity. The division into Lots is in accordance with good practice enabling a variety of providers including specialised providers to tender for the available contracts.
- 7.7 Policy Resources & Growth Committee is the appropriate decision making body with respect to the recommendations set out in paragraph 2 above in accordance with Part 4 of the council's constitution. In addition, authority to enter into contracts in excess of £500,000 must be obtained from the relevant committee.

Lawyer Consulted:

Judith Fisher

Date: 01/07/19

Equalities Implications:

- 7.8 An Equality Impact Assessment has been carried out on the service provided by the Insurance Team. There are no issues arising.

Sustainability Implications:

- 7.9 Questions around sustainability will be included in the tender documentation and taken into consideration at evaluation – at this stage we do not envisage any direct sustainability implications arising from this tender.

Crime & Disorder Implications

- 7.10 There are no Crime and Disorder implications arising from this tender.

Risk & Opportunity Management Implications

- 7.11 There is an opportunity to reduce premiums or at least mitigate potential increases by allocating Lots for individual categories of Insurance. The Insurance providers will be bidding for each Lot that will include consolidated volumes from each Authority. The risk will be if one of the Lot quotes is potentially more expensive to 1 of the 3 partners due to the current differing levels for each category. The Orbis partners have agreed to accept this risk based on the benefits that each partner will have the same Insurer with the same pricing.

Social Value, Ethical Trading & CSR Implications

- 7.12 As agreed at MPAB on 15th July 2019, questions in respect of Social Value, Ethical trading & Corporate Social Responsibility will be included in the tender documentation and taken into consideration at evaluation stage.

Other Implications

- 7.13 This joint Orbis approach means there is always a risk that different tender options will be more favourable to different Orbis partners. However, the evaluation will be based on the most advantageous outcome for Orbis partners as a whole, even where an alternative quote may be more beneficial to an individual partner. We will not have the option of picking and choosing quotes within each lot, however each Lot will be assessed against the award criteria to determine the bidder who is most economically advantageous.

