

Subject:	Insurance Tender		
Date of Meeting:	29 November 2012		
Report of:	Acting Director of Finance		
Contact Officer:	Name:	Steve Frost	Tel: 291634
		Mark Ireland	Tel: 291240
	Email:	steve.frost@brighton-hove.gov.uk	
		mark.ireland@brighton-hove.gov.uk	
Key Decision:	Yes		
		Forward Plan no. 32401	
Ward(s) affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT

- 1.1 To seek approval of the Policy & Resources Committee to arrange insurance cover for the council's property portfolio, motor, liability and leaseholder risks following a tendering exercise. The property portfolio incorporates additional risks including, but not restricted to, business travel, money, contract works, business interruption, engineering and fidelity guarantee. A separate claims handling tender will be run, and evaluated separately, in conjunction with the main tender.

2. RECOMMENDATIONS:

- 2.1 Policy & Resources Committee agree the following:

- a) The procurement of a contract for insurance cover for the council's property portfolio, motor liability and leaseholder risks for a term of 3 years and 7 months for the reasons set out in paragraph 3.3.
- b) The procurement of a contract for insurance claims handling for a term coterminous with the insurance cover contract with an option to extend for a further 2 years.
- c) That the Director of Finance be given delegated powers, following consultation with the Chair, to award the contract or contracts referred to in recommendations a) and b) above and take all other steps necessary for the implementation of the contract or contracts and any extension in accordance with recommendation b) above.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

- 3.1 The council's main insurance arrangements last went to tender in 2008. At this time the council entered into 3-year long term agreements, with an optional further 2 years, with Zurich Municipal in respect of our property portfolio and motor, with Travelers Insurance Company Ltd for the liability requirements, with Ocaso SA for domestic leasehold property and with Aviva for commercially let properties. The option to extend the long term agreement was exercised in 2006

and the current agreement will expire on 31 March 2013 with the exception of the Aviva policy where the agreement expired in 2012 and the policy was placed with Aviva for one year only, following a tender exercise, to fall in line with the remainder of the arrangements.

- 3.2 The premiums, including Insurance Premium Tax paid to the insurers for the period 1 April 2012 to 31 March 2013 were:

Property & Motor	£821,299
Liability	£220,328
Domestic Leaseholder	£335,107
Commercial Leaseholder	£293,817

The fee for a liability claims handling service for the same period was £35,000.

- 3.3 The tender documents for the provision of external insurance have been prepared by Jardine Lloyd Thompson (JLT), the council's retained insurance advisors. JLT, who specialize in insurance arrangements for the public sector, will also undertake the initial evaluation of the tender responses on behalf of the council. In discussions with JLT it was felt that changing the renewal date from 1 April to 1 November would potentially offer better value for money for the council as the insurance companies are less busy at that time of year and would be able to take more account of the effective risk management procedures implemented by the council and the good claims history. Hence the proposed tender period of 3 years plus 7 months.
- 3.4 The tender documents for the claims handling service have been prepared by the Insurance Team. The evaluation will also be carried out by the Insurance Team as JLT has a vested interest as claims handlers and are expected to submit a bid.

Insurance Market

- 3.5 There is limited competition for public sector risks as these are seen as an unattractive proposition by many insurers. The public sector insurance market is in the midst of challenging times, with the rising cost of liability claims and soft market conditions causing one of the largest insurers in the sector to pull out.
- 3.6 After a lengthy period of declining rates we are starting to see signs of market hardening for public sector risks, in particular for motor and liability and two consecutive harsh winters in 2009/10 and 2010/11, as well as increasing frequency and severity of personal injury claims are also behind the hardening in liability insurance rates.
- 3.7 External cost of risk financing is volatile and driven by cost of capital and the laws of supply and demand, as well as "industry group" and individual loss experience. Rates are likely to begin rising again and therefore entering into a long term agreement will afford some protection against increases.
- 3.8 There is now far more scrutiny of individual exposures, and insurers are being more selective and discriminate more against poor risks. The council however benefits from an improving claims history and it is hoped that this will be reflected in the overall cost following tender and will help to keep any increase to a minimum.

Reason for requesting delegated authority

- 3.9 There is an obligatory ten day cooling off period between making a decision on which provider or providers the council should enter into a contract with and the commencement of insurance cover on 1 April 2013. The next Policy & Resources Committee meeting following the evaluation falls on 21 March and the contract will need to be awarded before this date.
- 3.10 In view of this and to avoid any potential gaps in cover it is requested that authority be delegated to the Director of Finance in consultation with the Chair.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

- 4.1 All domestic leaseholders have been advised of the plans to seek alternative quotations and a second period of consultation will be undertaken once the evaluation has been completed.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The provisional insurance budget for 2013/14 was £3.487m. However, a saving of £0.3m has now been built into the latest forecast shown in the Budget Update report elsewhere on the agenda. The latest outturn spending projection for 2012/13 is £3.084m so provision of just over £0.1m may be available next year to meet possible increases in premiums following the tender exercise. This is equivalent to an increase of approximately 6% and assumes that there are no increases in claims or other costs next year. Paragraph 3.6 of the report refers to a potential hardening within the insurance market potentially leading to increased costs but it is hoped that improvements in the claims history of the council will largely offset these costs. It remains to be seen whether the huge costs of Super Storm Sandy in the United States will have an impact through the reinsurance market.

Finance Officer Consulted: Mark Ireland

Date: 2/11/2012

Legal Implications:

- 5.2 The authority of Policy & Resources Committee is required for matters with corporate budgetary implications, such as the procurement of the Council's insurance and claims handling contract(s) for which the costs are likely to exceed £500,000. Accordingly the committee is entitled to agree the recommendations at section 2 above.
- 5.3 The procurement of the insurance and claims handling contract(s) must comply with all relevant European and UK public procurement legislation, as well as the Council's own Contract Standing Orders (CSOs).

Lawyer Consulted:

Isabella Sidoli

Date: 9/11/12

Equalities Implications:

- 5.4 An Equality Impact Analysis has been carried out on the service provided by the Insurance Team.

Sustainability Implications:

- 5.5 There are no direct sustainability implications arising from this tender.

Crime & Disorder Implications:

- 5.6 There are no direct crime and disorder implications arising from this tender.

Risk and Opportunity Management Implications:

- 5.7 External Insurance is one way of managing risk but does not always offer the council the best value for money in managing risk. The council can also self-insure and holds an insurance fund to cover claims and officers will review the balance between external insurance cover and self-insurance as part of the tender evaluation process. The council has a strong track record in identifying and managing risks that has contributed to a good claims history and keeping premiums down. The Risk & Opportunity Manager has been consulted during the tender preparation.

Public Health Implications:

- 5.8 There are no direct public health implications arising from this tender.

Corporate / Citywide Implications:

- 5.9 The council has a need to insure assets and liabilities. This need is satisfied by the purchase of external insurance and self-insurance with an independently assessed insurance fund which is audited every 2 years.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

- 6.1 The option of collaborative working and purchasing arrangements with other authorities has been considered. A national report, due to be published shortly, concludes that there would be little benefit or added value to be gained from pursuing this option.

7. REASONS FOR REPORT RECOMMENDATIONS

- 7.1 These are set out in the report with specific reasons for delegation given in paragraphs 3.9 and 3.10 of the report.

SUPPORTING DOCUMENTATION

Appendices:

None

Documents in Members' Rooms

None

Background Documents

These are held in the Insurance Team.

