

**PROCUREMENT OF CORPORATE INSURANCES AND  
RELATED PROCUREMENT OF A BROKER**

<b>Cabinet Date</b>	13 December 2017
<b>Finance and Change</b>	Cllr Ray Theodoulou
<b>Key Decision</b>	Yes
<b>Background Documents</b>	None
<b>Location/Contact for inspection of Background Documents</b>	N/A
<b>Main Consultees</b>	Marsh Insurance Brokers/GCC Commercial Service/Director of Strategic Finance
<b>Planned Dates</b>	Issue of tender through the Crown Commercial Service Insurance Framework – February, 2018. Tender response deadline –3 May 2018. Insurance renewal – 24 <sup>th</sup> June, 2018
<b>Divisional Councillor</b>	N/A
<b>Officer</b>	Elaine Foxwell: Risk and Insurance Manager Tel. no: 01452 328895 Email address: <a href="mailto:Elaine.Foxwell@gloucestershire.gov.uk">Elaine.Foxwell@gloucestershire.gov.uk</a>

<p><b>Purpose of Report</b></p>	<p>To seek Cabinet approval to:</p> <p>(a) seek tenders for corporate insurance policies ( Property, Liability, Motor, Fidelity Guarantee, Personal Accident, School Journey and Travel and claims handling ) through the Crown Commercial Service’s (CCS) Insurance Framework (RM3731) and award a contract to commence on 24<sup>th</sup> June 2018 and continue for a period of 3 + 2 years ; or 5 years if more cost efficient; and</p> <p>(b) make a legally compliant direct award of a contract for insurance brokerage services to the incumbent supplier of such services to specifically assist in the procurement of the contract for Corporate Insurances and claims handling. It is a requirement of the CCS insurance framework terms that the services of any broker undertaking a procurement on behalf of a LA will also have to have been procured via the framework’.</p>
<p><b>Recommendations</b></p>	<p>That Cabinet authorises:</p> <p>(a) The Director of Strategic Finance to conduct a legally compliant competitive procurement process through the Crown Commercial Service’s Insurance Framework (RM3731) for the supply of Corporate Insurance policies ; and for the Director of Strategic Finance, in consultation with the Cabinet Member for Finance and Change, to award the contract to commence on 24<sup>th</sup> June 2018 and continue for a period of 3 + 2 years or 5 years if more cost efficient, in accordance with the terms of the tender process; and</p> <p>(b) The Director of Strategic Finance to make a legally compliant direct award of a contract for brokerage services to the incumbent supplier of such services (namely “ Marsh Limited”) through the Crown Commercial Service’s (CCS) RM3731 framework, specifically to assist in the procurement of the contract for Corporate Insurances and claims handling.</p>
<p><b>Reasons for recommendations</b></p>	<p>To comply with the requirement of Financial Regulation C.3 – ‘Risk Management Control and Use of Resources’</p>
<p><b>Resource Implications</b></p>	<p>It is forecast that the total costs over the 5 year period of the contract for corporate insurances is likely to be in the region of £5,552,049 to be met from the insurance budget.</p>

## MAIN REPORT CONTENTS

### Background

In June, 2013 all the Council's corporate insurance policies were subject to a tender process. The contracts were awarded for three years with a two year extension.

In October, 2014 the liability insurers (Travelers), broke the Long Term Agreement with GCC by stating that they intended significantly increasing the premium rates. As a result of this the liability policies were retendered to be effective from 24<sup>th</sup> June, 2015. The term of the contract was awarded on a 3 + 2 years basis so as to bring the liability policy into line with the expiry of all other policies ( 23<sup>rd</sup> June, 2018).

In October, 2015, the motor insurers, (Travelers), again broke the Long Term Agreement by stating that they intended significantly increasing premium rates. The motor insurance was retendered in 2016 and awarded on a 2 + 3 years basis to realign the policy with the expiry of all the other policies ( 23<sup>rd</sup> June, 2018).

The key objectives of the tender are:-

1. To ensure that the Council has an insurance programme and a claims handling service in place on 24<sup>th</sup> June, 2018 that is fit for purpose and assists with the mitigation of risk to the authority;
2. To achieve best value premiums with an insurer who has experience of underwriting Local Authority insurance; and
3. To meet the requirement of Financial Regulation C.3 – 'Risk Management Control and Use of Resources', a responsibility of the Director of Strategic Finance (Section 151 Officer).

Scope of Project

1. The policies subject to tender are Property, Liability, Motor, Fidelity Guarantee, Personal accident, School Journey and Travel insurance policies and associated claims handling . The Council provides an Insurance Service Traded Service to non-academy maintained schools. The above mentioned policies are included in the insurance service traded service programme provided to those schools.

### Options

2. *De-commissioning. i.e. not procuring any insurance cover*

The risk to this option is that the Council will have no financial protection for any sums that it may be found to be legally liable for or any insurance protection for its properties/vehicles.

In respect of the liability this risk will remain for all future years if claims are received that relate to the uninsured period. The Council would not be able to provide an Insurance Services Traded Service to maintained schools.

3. *Tender the Property, Liability, Motor, Fidelity Guarantee, Personal accident, School Journey and Travel insurance policies and claims handling*

This option provides peace of mind and potential to secure good value premiums for the next term of the contract ( 3 + 2 years or 5 years). This will assist with the future budget planning of the Council. This is the preferred option.

## **Risk Assessment**

The main risks to the Council are:

- a. **Limited number of bidders:** This risk arises because there are not many insurers who are able to underwrite insurance for large authorities. The mitigation of this risk is that the tender will be procured through the Crown Commercial Service Insurance Framework.
- b. **Significant increase in premiums.** This risk has arisen due to :-
  - Insurers' nervousness about their own risk exposure as a result of the impact on the Council's management of risk due to the public sector cuts in particular around safeguarding issues.
  - Insurers have potentially high risk exposure relating to claims from the 'blue light' services. GCC insures all Gloucester Fire and Rescue Service vehicles.

## **Officer Advice**

- To direct award a contract to the Council's incumbent broker, namely Marsh Limited, for the supply of such brokerage services as will be necessary to undertake a tender process on the Council's behalf (through CCS Framework RM3731) for the purposes of procuring corporate insurance policies under that framework. Marsh is bound by the Financial Services Authority and the CCS framework to recommend the best policy for GCC requirements. The final decision will be made by the Director of Strategic Finance in consultation with Cabinet Member for Finance and Change.
- To undertake a tender process and thereafter award a contract for corporate insurances through the Crown Commercial Service Insurance framework RM3731.

In terms of financial implications, the total forecast costs over the five year period of the contract for the corporate insurances are likely to be in excess of the current contract, given the market conditions prevailing. Any cost increase will need to be reflected in the MTFs. During the procurement both types of provider ( i.e. those insurers who pay commission to the broker and

the one insurer that does not )will be invited to tender to maximise competitive opportunity.

### **Equalities considerations**

In accordance with the public sector equality duty, the impact of the recommendations upon the protected characteristic groups has been considered and no adverse impact has been identified.

### **Consultation feedback**

The Director of Strategic Finance is content with the proposed strategy.

### **Performance Management/Follow-up**

In respect of the contract/performance management arrangements, this procurement will be managed against a clear specification/timeline. The contract will include specific and measureable targets which will be actively managed at regular meetings with the successful insurer by Insurance Services.

<b>Report Title</b>	Procurement of Corporate Insurance Policies and related procurement of an insurance broker
<b>Statutory Authority</b>	To comply with the requirement of Financial Regulation C.3 – 'Risk Management Control and Use of Resources'
<b>Relevant County Council policy</b>	Corporate Risk Management Policy Statement and Strategy
<b>Resource Implications</b>	It is forecast that the total costs over the 5 year period of the contract for corporate insurances is likely to be in the region of £5,552,049.
<b>Sustainability checklist:</b>	
Partnerships	n/a
Decision Making and Involvement	Cabinet lead Member for Finance and Change and Director of Strategic Finance.
Economy and Employment	n/a
Caring for people	n/a
Social Value	n/a
Built Environment	n/a
Natural Environment' including Ecology (Biodiversity)	n/a
Education and Information	Insurance Services Traded Service to maintained schools.
<b>Tackling Climate Change</b>	N/a Carbon Emissions Implications? Positive/ Neutral/ Negative Vulnerable to climate change? Yes/ No/ Maybe

<b>Due Regard Statement</b>	Has a Due Regard Statement been completed? No
<b>Human rights Implications</b>	None
<b>Consultation Arrangements</b>	Marsh brokers/GCC Commercial Service/Director of Strategic Finance