

## **Wiltshire Council**

### **Cabinet**

**4 February 2020**

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**Subject: Insurance Cover Tender**

**Cabinet Member: Cllr Simon Jacobs, Cabinet Member for Finance and Procurement**

**Key Decision: Key**

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#### **Executive Summary**

Our current 5 year contract with Zurich Municipal for Insurance Services ends on 31<sup>st</sup> March 2020. This contract covers our potential financial liabilities for a variety of insurance claims, including our properties, motor fleet and drivers and public liabilities.

The procurement process commenced in December 2019 to secure insurance cover with effect from 1<sup>st</sup> April 2020 to ensure that the Council has the right cover in place for its risks.

The procurement timetable requires that a decision on the award of insurance covers across the fourteen lots in the tender documents is made between Cabinet meetings so this report seeks approval for delegation to the Director of Finance and Procurement in conjunction with the Executive Member for Finance and Procurement to award the insurance cover to the successful bidders.

#### **Proposal(s)**

1. Delegate to the Director of Finance in conjunction with the Executive Member for Finance and Procurement the decision to award the insurance cover to the successful bidders.

#### **Reason for Proposal(s)**

1. Not having insurance cover in place would expose the Council to significant financial risk.

**Alistair Cunningham**  
**Chief Executive Officer - Place**

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### **Purpose of Report**

1. To set out the process that is being followed to obtain tenders for insurance cover for the Council, the timetable being followed and to delegate authority for the decision on the award of contract(s) to the winning bidders, based on the agreed evaluation criteria, be given to the Director of Finance and Procurement as proposed.

### **Relevance to the Council's Business Plan**

2. The provision of insurance cover helps to maintain all aspects of the Business Plan by providing a level of financial certainty in a financially volatile claims market.

### **Background**

3. Our current insurance cover is with Zurich Municipal under a contract that was awarded in March 2015 for a maximum five year period following the last tender process. The current annual cost of the contract is £1.2m.

The insurance tender has been drawn up to reflect the current areas of cover that the Council has as well as other areas which it currently chooses to self insure but depending on the proposals received, it may be advantageous to change the approach. It has been made clear in our tender that the Council can choose not to purchase certain types of cover and that it can choose to purchase different lots from different providers if that is the outcome of the evaluation.

The Council appointed Arthur J Gallagher Insurance Brokers Limited to advise on the tender and best industry practice. The Brokers have assisted with the structure of the tender lots and the evaluation criteria for each lot and will be part of the evaluation process once the tenders are submitted. The Council will also independently review and assess the tenders received.

The lots that have been included in the tender are as follows:

- i. Property – split by type i.e. general, education, voluntary aided schools and housing properties

- ii. Property – Industrial and Commercial (where the Council is the owner and landlord)
- iii. Leasehold Property
- iv. Works in Progress – ongoing construction projects
- v. Computers
- vi. Terrorism
- vii. Fidelity Guarantee
- viii. Casualty – which includes Employers Liability and Public Liability
- ix. Officials Indemnity
- x. Performance and Contract Management
- xi. Medical Malpractice
- xii. Motor Fleet
- xiii. Personal Accident and Travel
- xiv. Engineering Inspection

Tender documents were released on 9<sup>th</sup> December 2019, prospective bidders submitted clarification questions by 23<sup>rd</sup> December 2019 for answers to be provided by 10<sup>th</sup> January 2020.

Final tender submissions will be received on 23<sup>rd</sup> January 2020 and the evaluation process will be completed by 10<sup>th</sup> February 2020. This will allow the Council to take a full view on which lots to award and which bidder is successful for each of the lots. The Council will notify all bidders of the outcome on 25<sup>th</sup> February 2020 and the cover (contract) will commence on 1<sup>st</sup> April 2020. The contracts will be for a maximum period of 5 years (3 years with a 2 year extension).

Excesses will be set against each of the policies for the major risk areas. These currently vary depending on the insurance category and are set out in the table below. Arrangements for dealing with claims also varies according to type and value and this is included in the same table for information. The Council also has a limit known as a stop loss which caps the amount that is paid in any one insurance year. These limits vary across the different insurance types ranging from £0.65m to £1.5m. Once the relevant limit is reached any additional claims are paid in full by our insurers.

Currently it is not envisaged that the way that claims are handled will alter in the short term however this will be reviewed in conjunction with an update to the IT system (LACHS) used to administer that work.

## Current Excess levels and claim handling arrangements

	Property Damage	Employers Liability	Public Liability (Injury)	Official Indemnity / Land Charges / Professional Indemnity	Motor (Own Damage)	Motor (Third Party Damage)
Current excess	£250,000	£400,000	£400,000	OI £400,000, PI & Land £100,000	£1,000 third party fire and theft	nil
Handling arrangements	Self handle up to excess	Insurer handles whole	See note 1	Insurer whole process	see note 2	Insurer handles whole process. See note 2

### NOTES

- 1 Property damage or injury claims valued up to £25,000 are handled by the Insurance Team. Claims over this amount, complex claims or issued claims valued up to £50,000 are dealt with by In-House Legal Services. Above £50,000 claims are notified to Insurers who may then take on the claim handling if they wish, leave it In House, or appoint their own Solicitor.
- 2 Non-insured or below excess self-handled. Theft or fire claims over excess dealt with by Insurer. Non-fault own damage claims sent to Insurer for referral to Uninsured Loss Recovery agent.

## **Main Considerations for the Council**

4. It is accepted local authority practice to procure third party insurance cover otherwise the Council would have to meet the full cost of claims arising either from its revenue budget or from an insurance reserve set aside for that purpose. It follows that if no cover is purchased for any of the lots set out above, the Council will have to meet any claims arising from its revenue budget or the designated reserve. This is usually referred to as self insurance. The cost of excesses is also met from revenue or reserves.

As part of the overall tender evaluation, there will be an opportunity to consider the levels of excess and stop losses as options have been included in the tender documents.

Each lot has both quality and price evaluation criteria which have been determined in line with industry best practice and the Council's approach to procurement. Flexibility has been built into the tender to allow for business changes such as an increase or decrease in property holding of any type. This would also impact the level of premium paid. Should additional insurance requirements become available during the duration of the contract, these will be separately secured as required and in line with our procurement requirements.

The approach that the Council has adopted in procuring its insurance cover is in line with other local authorities and is expected to provide the required cover at an optimum price in line with the current prevailing market conditions. Final decisions on the level of cover, lots awarded, self insurance, excess levels and stop losses will determine the overall cost of the contract(s) to be awarded.

## **Safeguarding Implications**

5. None

## **Public Health Implications**

6. None

## **Procurement Implications**

7. The Strategic Procurement Hub has had limited involvement in the detailed procurement design and operation. Gallaghers have been procured for the purposes of undertaking the procurement and are working with the service team to manage the procurement documentation and procedure to deliver value and manage risk. The evaluation will be undertaken by the service team and Gallaghers as subject matter experts. SPH are providing support related to the sourcing processes in the council's ProContract solution which will seek and receive tenders and notify the tenderers of the outcome. Gallaghers will also develop the award stage documentation including standstill letters resulting from the evaluation and support the service area to finalise the resulting contract(s) with legal services to ensure compliance with the PCR2015.

## **Equalities Impact of the Proposal**

8. None

## **Environmental and Climate Change Considerations**

9. There are no specific considerations outside of the Council's existing policy

## **Risks that may arise if the proposed decision and related work is not taken**

10. If delegation is not granted and insurance cover is not in place for 1<sup>st</sup> April 2020, the Council will directly bear all costs of claims made against it which represents a significant financial risk.

## **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

11. Claims against the Council will continue to arise and these will continue to be managed in line with existing practices to ensure that the cost to the Council of its premiums and excess costs remain manageable.

## **Financial Implications**

12. The full financial implications will be known when the tender has been received and evaluated completed on 10<sup>th</sup> February 2020. As part of the evaluation, consideration will be given to the excess levels and stop losses which will also impact on the premium for each lot. The aim is that by balancing these risk that the Council takes in terms of self insurance and third party cover procured, the overall cost will be no more than the current £1.2m paid in premiums.

## **Legal Implications**

13. Contracts of insurance are subject to the Public Contract Regulations (PCR) (2006). For insurance contracts of the size in contemplation here the PCR require an open and fair tender procedure which is advertised across the EU. It is unlikely that such a tender would reach a conclusion with contracts signed in under six months.

The tender has included the Council's terms and conditions of contract.

## **Workforce Implications**

14. None

## **Options Considered**

15. Self insurance would be the only alternative option but this would give rise to a significant ongoing financial burden that would be difficult to plan for or manage within existing resources. There would be no limit to the value

of claims that the Council may face if third party insurance were not in place with the relevant excesses and stop losses.

## **Conclusions**

16. Having appropriate insurance cover in place subject to the evaluation of the tender submissions in line with the criteria set out in the tender is the optimum approach for the Council to take to give it reasonable certainty of its costs and obligations.

Deborah Hindson  
**Interim Director of Finance and Procurement**

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Report Author: Suzanne Jones, Interim Head of Business Services Finance,  
01225 713020, Suzanne.jones@wiltshire.gov.uk

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## **Appendices**

None

## **Background Papers**

The following documents have been relied on in the preparation of this report:

None