

REPORT OF

The Strategic Director for Service Reform

TO

Procurement Board

ON

Wednesday 12th January 2022

TITLE: Approval to Award the Contract for new 5-year insurance cover in respect of the City Council's Liability, Property & Motor fleet insurance arrangements.

RECOMMENDATION:

That Procurement Board approve the award of the contract for 2022 expenditure of the catastrophe cover insurance, as detailed in the table below:

Detail required	Answers
Title/Description of Contracted Service/Supply/Project	Catastrophe Cover for the Council's main classes of Insurance, including Liability, Property & Motor fleet
Name of Successful Contractor	AIG, HSB and QBE
Supplier Registration Number <i>(to be supplied by Corporate Procurement)</i>	AIG 10737370 HSB 02396114 QBE 02641728
Type of organisation <i>(to be supplied by Corporate Procurement)</i>	Private Limited Company
Status of Organisation <i>(to be supplied by Corporate Procurement)</i>	Non-SME
Contract Value (£)	£1,437,334.51 (Includes 12% IPT) for 2022/23
Contract Duration	36 months
Contract Start Date	01/02/2022
Contract End Date	31/01/2025
Optional Extension Period 1	24 months
Optional Extension Period 2	24 months
Who will approve each Extension Period?	Strategic Director (extension < £150k)
Contact Officer (Name & number)	Cliff Peacock

Detail required	Answers
Lead Service Group	Finance & Corporate Business
How the contract was procured? (to be supplied by procurement)	Mini competition
Framework Details (where applicable) (procurement body, framework reference & title, start/ end date)	YPO Insurance Framework 978 30 July 2019 - 29 July 2024 OJEU Ref 2019/S 106-259145
Funding Source	Revenue Budget
Ethical Contractor (EC): Mayor's Employment Charter	<input type="checkbox"/> yes, for all bidders
EC: Committed to sign up to charter	<input type="checkbox"/> yes, for all bidders
EC: Accredited Living Wage Employer	<input type="checkbox"/> yes, for all bidders

EXECUTIVE SUMMARY:

The purpose of this report is to seek approval for a new five-year long-term agreement from 1/2/22 in respect of the City Council's Liability, Property & Motor fleet insurance arrangements following a full tender exercise.

Tender figures have now been agreed in principle with the Council's broker AON, pending acceptance of the expenditure. Quotations are on the basis of a 3-year Long Term Agreement packaged discount with the option to extend for a further 2 + 2 years. Based on the tenders evaluated, AON recommends the Council stay with existing insurers AIG and its parent companies QBE & HSB (arranged through RMP) on the basis of the cover requested within the tender specification.

There is financial provision to undertake the new proposed agreement for a period from 01/02/2022 to 31/01/2027 (with a further option to extend until 31/1/2029), albeit that the expenditure of the revenue budget is annually approved. It is therefore recommended that the tender evaluation findings are accepted on the basis that they maintain continuity of cover with a minimal increase in price.

SCC's Procurement Team were heavily involved in all aspects of the tender evaluation and outcome. Information gathered from and consultation with all directorates also contributed directly to the tender exercise.

In terms of the 2022 Tender Responses, the premium levels are similar to the 2021 renewal premium levels. The total cost of the tender exercise has been negotiated at a total of £1,437,334.51 compared to a cost last year of £1,363,856.42, which equates to a 5% increase.

BACKGROUND DOCUMENTS:

- Report taken to procurement board on 4/8/21 entitled: Approval to go out to competition to purchase insurance catastrophe cover.
- Forward look for the above report published Oct 21- item 93

- Relevant documents from all departments & claims data for potential bidders
 - Brokers report 8/12/21
 - Procurement Social value evaluation summary and audit matrix 6/12/21.
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KEY DECISION: Yes

DETAILS:

1. Background

- 1.1 On 1st February 2022, the Council's main classes of insurance business, i.e., Liability, Property and Motor policies, fall due for renewal following completion of an extensive insurance market tendering exercise.
- 1.2 The covers are currently subject to a discounted Long-Term Agreement (LTA) expiring on 31 January 2022 and are therefore subject to the Public Procurement Regulations 2015. Some small specialist insurance covers are also being placed as part of the tender at this time, as those LTA's have also expired.
- 1.3 The Council's Insurance Brokers, AON, have been commissioned to provide advice on the tender. The main purpose of their report is, therefore, to set out the detail on the prospects for the Council's insurance arrangements from February 2022.
- 1.4 The Council's current insurance programme is placed with AIG, QBE & HSB via RMP.

2. The Procurement Process and bid compliance

- 2.1 Tender documents and supporting appendices were advertised on the 14 October 2021, utilising the Yorkshire Purchasing Organisation Insurance Framework 978 via the Proactis Portal (open to pre-vetted bidders), where tender documents were made available to prospective bidders to download.

Quotations were invited for "Insurance Services excluding Broking Services".

The tender was "live" for nearly five weeks, with the deadline for Tender Responses being 17.00 Hrs on Tuesday 16th November 2021.

Potential Bidders were able to ask Tender Clarification Questions up to 17.00 Hrs on Tuesday 2nd November 2021.

The strategic objective was to test the effectiveness of the current covers, with the contract to be awarded based on the most economically advantageous tender, evaluated against the specific Award Criteria and Weighting published in the tender document, and as shown below in table 1.

The price offered from bidders is based on acceptance of a new 5-year LTA. Insurers rates during the duration LTA agreement is dependent on annual renewals staying within the agreed insurer's percentage increase parameters. E.g., The AIG 3 + 2-year rate guarantee includes agreeing to maintain the rates applying at inception for the 5-year period subject to the loss ratio not exceeding 20%. Contract extensions are based on claims experience.

The Council's Corporate Risk Manager (CRM) discussed their requirements on behalf of the Council with AON, with tenders being evaluated against specific quality criteria with weightings illustrated below in **table 1**. The price-quality ratio was agreed with procurement, the CRM and AON to put in place effective VFM insurance policies to complement the Councils current existing insurance stop-loss insurance programme. *Scope of cover equates to quality. The Social Value element was vetted and scored by procurement. A summary of their detailed report is set out in **table 3** below: -

2.2 Table 1. Weighted selection criteria

Award criteria	% Available
Price	50
Scope of cover*	30
Support	5
Social Value	15
Total	100

2.3 Table 2. Charter responses

Questions on charter	A	B	C	D
Climate Change	✓	✓	✓	✓
Mayors Employment Charter	✓	✓	✓	✓
Living Wage Foundation	✓	✓	✓	✓

The above responses were made outside of the social value responses given below.

2.4. Table 3. Social Value scoring

Insurer:	Score (out of 15%):
A	13.5%
B	3.05%
C	0%
D	0%

- Bidder C did submit a Social Value submission but scored 0.
- Bidder D did not upload a Social Value submission, and so scored 0.

2.5 Expressions of interest and bids

Local authority business that includes Social Services liability risks does not attract many insurers. Four insurance companies expressed interest, and all four followed up with bids, in relation to these bids, the findings on the three main classes of insurance business are set out below. It should be noted that a successful bidder QBE is a parent company of AIG and HSB with cover arranged through the RMP. The report deals with the three main classes of business and does not drill down to smaller cover set out in the summary.

2.6 **Bidding outcomes-** for main classes of business, on Liability, Motor & Property are set out below.

2.7 **Liability Findings**

On the weighted selection criteria agreed, the successful bidder A although not the lowest price, scored well on breadth of cover (as set out in **Table 4** below) and were rated best overall value when evaluated against tender criteria. The quote offered by QBE gives the best scope of cover a higher social value than other bids and provides continuity of cover.

2.8 **Table 4 - Weighted Selection Criteria for Liability Insurance Quotations**

Award criteria	% Available	A	B	C
Price	50	46.5	45	50
Scope of cover	30	29	27	20.5
Support	5	5	4	2
Social Value	15	13.5	3	0
Total	100	94	79	72.5

2.9 **Motor Findings**

AON recommended staying with QBE/RMP.

On the selection criteria agreed, QBE (as set out in **Table 5** below), the successful bidder QBE although not the lowest price, had the highest overall score compared to the other bidders, i.e., when evaluated against all available tender criteria. The QBE quote also provides continuity of cover.

2.10 **Table 5 - Weighted Selection Criteria for Motor Insurance Quotations**

Award criteria	% Available	A	B	C	D
Price	50	38.5	38	50	45
Scope of cover	30	30	30	30	28
Support	5	4.25	5	3	4

Social Value	15	13.5	3	0	0
Total	100	86.25	76	83	77

2.11 Property Findings

AON recommended that the business stays with A -AIG (see **table 6** below). There were no other quotes. The AIG quote offers continuity of cover.

2.12 Table 6 - Weighted Selection Criteria for Property Insurance Quotations

Award criteria	% Available	A
Price	50	50
Scope of cover	30	25
Support	5	5
Social Value	15	13.5
Total	100	93.5

2.13 Table 7 -Recommendations summary for all Classes of Business

Class of Business	Recommendation	Proposed Insurer	Price at 21/22 with IPT	Price for 22/23 with IPT
Property Damage/BI/All Risks/Theft/Money	Renewal with existing insurer	AIG	£629,606.79	£645,574.28
Fine Art	still being negotiated	TBC	£8,340.84 est	£8,340.84 est
Contract Works	Renewal with existing insurer	HSB via RMP	£3,205.03	£5,448.91
Terrorism	Renewal with existing insurer	Convex via RMP	£60,360.22	£57,995.04
Combined Liability	Renewal with existing insurer	QBE via RMP	£474818.40	£499707.04
Medical Malpractice	Renewal with existing insurer	QBE via RMP	£11,592.00	£12,163.20
Motor Fleet/Uninsured Loss Recovery	Renewal with existing insurer	QBE via RMP	£98,766.08	£97,796.16
Fidelity/Crime	Renewal with existing insurer	QBE via RMP	£14,588.00	£14,670.88
Engineering Inspection	Renewal with existing insurer	HSB via RMP	£35,613.16	£53,696.24
Engineering Insurance	Renewal with existing insurer	HSB via RMP	£2,359.35	£6,453.05

Hired in plant	Renewal with existing insurer	HSB via RMP	£420.00	£1,118.88
Computer	Renewal with existing insurer	HSB via RMP	£6,899.04	£12,069.67
Personal Accident/Travel	Renewal with existing insurer	AIG RMP	£7,479.67	£13,624.80
School Journey	Renewal with existing insurer	AIG RMP	£9,807.84	£8,675.52
Totals			£1,363,856.42	£1,437,334.51

3. Social Value

Bidders were required to submit a Social Value offer via the Social Value Portal using the Salford TOMs (Themes, Outcomes and Measures) Core Set. As referred to earlier in the report, three companies submitted via the portal, and one did not.

The quantity of social value submitted by the bidders was as follows;

Bidder B Public Sector - £670

Risk Management Partners - £109,330

Bidder C - £Nil

KEY COUNCIL POLICIES:

See assessment of risk below.

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:

N/A

ASSESSMENT OF RISK:

To protect the Council's insurance reserve, assets and liabilities insurance is taken out as part of a loss control approach to risk management.

SOURCE OF FUNDING:

There is provision within current resources (Revenue Budget) to meet the proposed cost as set out below.

LEGAL IMPLICATIONS: Supplied by: The Shared Legal Service Tony Hatton 219 6323

The Council must ensure that appropriate insurance arrangements are in place to protect the council's assets and potential liabilities. In that regard, the Council proposes to take out new cover on its main classes of business with AIG and QBE in respect of its Property, Liability and Motor insurances for a 3-year period with the option to extend for further two-plus years beginning on the 1st of February 2025. Any proposed future increase in the contract price can only be imposed in accordance with the provisions of the existing contract. The Council's Procurement Team has confirmed that the proposed renewal complies with the Council's Contractual Standing Orders.

When commissioning contracts for the procurement of goods, services, or the execution of works, the Council must comply with the Public Contracts Regulations 2015 (PCR) and its own Contractual Standing Orders (CSO's), failing which a contract may be subject to legal challenge from an aggrieved provider. The proposed award of this contract follows a selection exercise to enable call-off in accordance with the appropriate YPO Framework Agreement.

The purpose of a framework agreement is to select through a procurement/ evaluation process a number of providers who can meet the service requirements of the Council as and when those services are required. If they are required, then the Council will undertake an exercise to call off the services from one or more of the providers who have been selected to be on the framework, and this may be through any number of ways (mini-competition or direct allocation) depending on the circumstances. A contract will then be formed between the Council and the chosen provider/s.

Submissions were evaluated on the most economically advantageous tender basis in line with published procedures resulting in the proposed awards of the various insurances the providers set out in the body of the report. The procurement procedures, therefore, appear robust and compliant with the requirements of the Council's CSO's and PCR.

FINANCIAL IMPLICATIONS Supplied by: Chris Hesketh, head of financial management x2668

Insurance is an essential component of the management of the organisation's financial risk. The process has ensured that the council secures the most economically advantageous tender available. The costs of the premiums are in aggregate 5% greater than last year: there is sufficient budget in the existing budget plus the planned inflation contingency to cover the costs of the premiums.

PROCUREMENT IMPLICATIONS: Supplied by: Emma Hayes, Category Manager

The YPO Insurance Placement DPS framework was chosen as the route to market for this contract. The framework gives the Council access to a wide range of pre-vetted insurance companies who have a place on the framework, and all suppliers were invited to bid for this contract.

Four tenders were received and evaluated in line with the published evaluation criteria.

The procurement of this contract was undertaken with the support of the Council's Insurance Broker AON, and they assisted with drafting the specifications and tender documents. They acted as liaison between the Council and YPO and undertook the evaluation of bids in conjunction with Officers from the Insurance Team and Procurement.

The contract awards will go to the companies that submitted the most economically advantageous tender based on quality, price and social value.

HR IMPLICATIONS: Supplied by:

N/A

CLIMATE CHANGE IMPLICATIONS: Supplied by:

N/A

OTHER DIRECTORATES CONSULTED:

All directorates were consulted

CONTACT OFFICER: Cliff Peacock – Corporate Risk Manager
TEL NO: 0161 607 6980

WARD(S) TO WHICH REPORT RELATE(S): Specify the Ward / Wards affected if all wards state the fact.

All wards.