

Meeting of:	Cabinet
Date of Meeting:	Thursday, 11 January 2024
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Retendering of Insurance 2023/24
Purpose of Report:	To advise Cabinet that the Council's insurance policies will need to be retendered during 2023/24 due to the expiry of the existing long term agreements and to outline and agree the process that will be followed in carrying out the tenders and contract award.
Report Owner:	Executive Leader and Cabinet Member for Resources & Performance
Responsible Officer:	Matt Bowmer – Head of Finance/Section 151 Officer
Elected Member and Officer Consultation:	Due to the corporate nature of this report, no specific ward Member consultation has been undertaken
Policy Framework:	This is a matter for decision by Cabinet
<p>Executive Summary:</p> <ul style="list-style-type: none"> To advise Cabinet that the Council's insurance policies will need to be retendered during 2023/24 due to the expiry of the existing long term agreements and to outline and agree the process that will be followed in carrying out the tenders and contract award. 	

Recommendations

It is recommended that Cabinet:

1. Note the position regarding the Council's insurance arrangements and the tender process to be followed.
2. Delegates the authority to determine and generally deal with all aspects of the procurement process and ancillary matters up to and including the awarding of the contract for a period of (three, five or seven) years to the Head of Finance/Section 151 Officer in consultation with the Executive Leader and Cabinet Member for Performance and Resources.
3. Authorises the Monitoring Officer/Head of Legal and Democratic Services to agree the terms of and execute contracts with the successful providers.
4. Agrees the direct award of the leasehold insurance.

Reasons for Recommendations

1. To keep Cabinet informed and apprised of insurance issues.
2. To enable the Head of Finance/s151 Officer to evaluate the different proposals and determine the outcome of the process.
3. To have an appropriate contract in place for the supply of insurance cover.
4. Ensure sufficient leasehold insurance is in place in a limited market.

1. Background

- 1.1** The Council manages insurance risk through its own internal fund (the Insurance Fund) and by paying premiums to external insurers where the financial consequences of the risks cannot be borne in-house. Services are recharged to recover the attendant costs of insurance based upon a number of factors, including claims experience. The following external insurance policies are maintained:

- Public/employers/professional indemnity/officials' indemnity insurance
- Motor/road risks
- Property (public buildings/schools/housing stock)
- Contract works cover
- Professional indemnity insurance
- Personal accident/travel
- Off site activities/travel (schools and youth services)
- Crime (employee/public dishonesty)
- Computer mainframes
- (Engineer inspection/insurance (lifts))
- PTA liability cover

- Trustees' liability (Councillors)
- Leaseholder's/mortgaged property
- Residents' association schemes
- Contribution to the community association schemes

Insurance Premium Pressures

- 1.2** Inflationary pressures have significantly influenced the construction industry, leading to higher rebuilding expenses for all Council properties. With an existing property policy excess of £75k, there is a need to navigate potential premium hikes. To achieve this, quotes will be sought with excess options of £75k, £150k and £250k. This approach allows the optimal balance between property protection and costs efficiency to be selected for the portfolio.
- 1.3** At present, the insurance premium tax stands at 12% and unlike value added tax, it is non-recoverable.

Covid Effect

- 1.4** The industry anticipated a surge in claims related to Covid-19 infection. This expectation led to a reassessment of market risks which, in turn, affected anticipated pricing models. This had the potential to result in significantly increased costs for clients. Fortunately, a surge in claims relating to Covid-19 infection did not materialise leading to a settling of market conditions surrounding this issue.
- 1.5** The pandemic prompted insurance companies to exclude communicable diseases as a valid basis for claims under various policies. This has caused policy gaps in the Council's coverage regarding travel and business interruption.

2. Key Issues for Consideration

- 2.1** The Council's insurance policies (other than property) were tendered for the 2018/19 financial year and were placed on a five year long term agreement. The Council's property insurance was retendered for the 2016/17 financial year on a three year long-term agreement with the potential to extend for a further two years. Due to external premium pressures caused by the hardened market the property policy was extended for further three years to bring it back in line with the other policies. All insurance policies will have to be retendered during the current financial year and a decision will have to be made based upon the renewal premium offered by the incumbent insurer.
- 2.2** It is proposed that the award criteria used for all the lots be weighted at 60% on price and 40% on quality.
- 2.3** The Insurance team are working diligently to reduce expenses amidst external pressures that are driving up public sector insurance costs. Several alternative solutions will be explored.

- 2.4** The current Insurance Premiums for 2023/24 cost in excess of £1M and as well as holding the budget for premiums provision is also in place for excess costs in the event of claims being made.
- 2.5** Tenders will be sought on a variety of different excess (the first part of the claim funded by the policyholder) levels. These scenarios will attract differing premiums; the higher the excess, the lower the premium and the opposite scenario for bearing a lower excess. It is proposed that different risk scenarios and modelling will take place.
- 2.6** The modelling will involve the Senior Insurance Officer reviewing the Council's claims history and, based upon the quotations provided, calculating the hypothetical cost of each financial year. The tender specifications will include various excess scenarios, and a decision on the most favourable bid can be made based on the Council's claim history, considering returns obtained.
- 2.7** To undertake this tender process the Council will use the Yorkshire Purchasing Organisation (YPO) Insurance Framework and the process of the tender will be run by the Council's insurance broker, Marsh UK Ltd. The Council will take advice from Marsh as to whether the renewal premium offered by the insurer represents value for money.
- 2.8** The specification for the contract will have to be drawn up by Council officers, taking account of the Council's appetite for risk in terms of how much self-insured risk the Council is prepared to bear (excess). The higher the excess the lower the premium and tax burden yet the higher the financial exposure should claims be received.
- 2.9** The intention is to keep the existing insurance arrangements in place until the current long term agreements expire.
- 2.10** It is also the intention to direct award the leasehold insurance. The Council's insurance broker Marsh has advised that currently the market for leasehold insurance is lacking options. Over the last two years, the leasehold market place has become difficult. In 2022 the Council had to deal with the withdrawal of its contracted Provider Ocaso after three years of a five year contract. Suppliers have withdrawn entirely from the market, and there are now only two providers. Protector, the Council's incumbent leasehold insurance provider are the only ones who will quote on a standalone basis. The other company requires a full property portfolio as a pre-requisite for offering placement terms, which is not guaranteed, and a high risk speculation.
- 2.11** Considering these factors, it considered that the only option currently is to direct award the leasehold coverage to the current supplier and align the contract period with the Council's other polices procured through this tender.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1 By awarding for a seven year re-tender timescale this will allow costs to be projected for a longer term as the rates will only change under exceptional circumstances.
- 3.2 By ensuring an effective insurance cover is in place will help protect the council and our customers in the event of a valid insurance claim being made.

4. Climate Change and Nature Implications

- 4.1 There would be no climate change or nature implications as a result of this report.

5. Resources and Legal Considerations

Financial

- 5.1 There are no employment implications as a direct result of this report. The intention is to renew within the existing budget provision.

Employment

- 5.2 There are no employment implications as a direct result of this report.

Legal (Including Equalities)

- 5.3 It is a legal requirement for the Council to have insurance policies in place to cover a range of issues, including cover for vehicles, employers and third-party liability.
- 5.4 The procurement process, including invitation to tender, evaluation and award of contract will be carried out in accordance with the YPO Insurance Framework and as advised by the Council's brokers.

6. Background Papers

None.