

NORTH LANARKSHIRE COUNCIL REPORT

To: POLICY AND RESOURCES (FINANCE) SUB – COMMITTEE	Subject : RISK & INSURANCE TEAM: PUBLIC & EMPLOYER LIABILITY INSURANCE TENDER 2015	
From: HEAD OF REVENUE SERVICES		
Date : 11 November 2014	Ref: BC/LA	

1. Purpose of the Report

1.1 The purpose of this report is to seek committee approval to commence a tender exercise for the council's combined liability insurance policy which provides cover for Public and Employers liability risks.

2. Background

2.1 The current insurance policies held by the Council are on a five year Long Term Agreement basis, and are due to expire on 31 March 2016. Policies are held with a number of insurance companies with the main policies of Property and Liability being held by Travelers Insurance Co Ltd. The Council has had an insurance relationship with Travelers on liability covers since 1996.

2.2 It is emphasised that this report relates only to the combined liability insurance policy. All other policies are to be renewed within the terms of the existing five year long term agreement.

2.3 Prior to renewal in 2014, Travelers announced their intention to break the Long Term Agreement on liability cover, advising that they were reviewing their ratings on this entire book of business across the UK Public Sector. Travelers had experienced significant deterioration in performance of their UK public sector liability business, with particular deterioration in claims within Roads and Social Services. As a result, the ratings offered to the council increased by 157% to £446,712 for the 2013/14 premium. This reflects the position being taken by Travelers in light of their exposure from claims experience in the market place.

2.4 Following this, the Risk & Insurance team carried out a review of the market conditions, the positions of the other two main public sector insurers and experience of other local authorities. In addition, an analysis of the financial impact of accepting this increase, compared to the impact of carrying out an emergency tender on liability was conducted. Despite the significant increase, this review concluded that the best option for the council was to accept these terms and renew with Travelers on the basis of the increased rates.

3. Current Position

3.1 Following renewal in April 2014, the Risk & Insurance team has worked with the council's insurance broker to maintain a close watching brief on the market, to anticipate and prepare for the potential of a similar breach for the 2015 renewal. It has now been confirmed that Travelers will be breaking the Long Term Agreement on liability covers for 1st April 2015, indicating rating increases of 600%, increasing the premium to approx £2,500,000.

3.2 It is believed that this response reflects Travelers reducing appetite to underwrite Public sector liability business, and they are effectively pricing themselves out of the market. In light of this significant increase, the council is now forced to tender the liability insurance cover.

3.3 All other covers will renew within the Long Term Agreement and are unaffected.

4. Tender Proposals

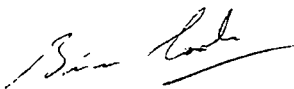
- 4.1 To maintain all the Council's insurance policies with the same Long Term Agreement date, it would be ideal to tender for a one year policy. However, it is unlikely that the Insurers in the market for local authority business would provide cover for one year only. It is therefore proposed that the contract period will be for 6 years. The rest of the Council's policies will be subject to tender next year and the normal 5 year contract period will bring all policies back into line.
- 4.2 Based on current annual premium spend, the estimated minimum contract value is approx £2.6 million for the 6 year Agreement. As this exceeds the financial threshold stipulated in the EU Public Sector Procurement Directive 2004/18/EC, the procurement would be subject to an EU compliant procurement process.
- 4.3 The Corporate Procurement team will assist the Risk and Insurance team where necessary to undertake the procurement as described above.

5. Corporate Considerations

- 5.1 Costs will be met from existing budgets.

6. Recommendations

- 6.1 It is recommended that the committee approve the competitive tendering of the Council's liability insurance policy.



Head of Revenue Services

Members seeking further information on the contents of this report are asked to contact Mrs Lauren Anthony or Mr Gordon Esslemont Risk & Insurance Manager on 01698 403946

APPENDIX A

NORTH LANARKSHIRE COUNCIL - PROCUREMENT REPORTING

		PART A PROPOSED ARRANGEMENTS			PART B ACTUAL ARRANGEMENTS		
1	Procurement Title	Liability Insurance Tender for Renewal of Council's Insurance Programme 2015					
2	Description	Provision of Combined liability insurance covers.					
3	Contract Category	Supply			<input type="checkbox"/>		
		Services			<input checked="" type="checkbox"/>		
		Works			<input type="checkbox"/>		
4	Contract Type	Term			<input checked="" type="checkbox"/>		
		Framework Agreement			<input type="checkbox"/>		
		Framework Contract			<input type="checkbox"/>		
		One-off			<input type="checkbox"/>		
		Other			<input type="checkbox"/>		
5	Contract Duration	<input type="text" value="36"/>	Months		<input type="text"/>	Months	
6	Contract Start Date	<input type="text" value="DD"/>	<input type="text" value="MM"/>	<input type="text" value="YYYY"/>	<input type="text" value="DD"/>	<input type="text" value="MM"/>	<input type="text" value="YYYY"/>
		<input type="text" value="01"/>	<input type="text" value="04"/>	<input type="text" value="2015"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
7	Contract End Date	<input type="text" value="DD"/>	<input type="text" value="MM"/>	<input type="text" value="YYYY"/>	<input type="text" value="DD"/>	<input type="text" value="MM"/>	<input type="text" value="YYYY"/>
		<input type="text" value="31"/>	<input type="text" value="03"/>	<input type="text" value="2018"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
8	Contract Extension	Is a provision being included to extend the contract?			Has a provision been included to extend the contract?		
		Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	Yes	<input type="checkbox"/>
						No	<input type="checkbox"/>
		If 'Yes', what is the maximum period of extension being sought?			If 'Yes', what is the maximum period of extension included?		
		<input type="text" value="36"/>	Months		<input type="text"/>	Months	
9	Total Value	<input type="text" value="£ 2.6 Million minimum"/>			<input type="text"/>		
					Actual <input type="checkbox"/> Estimate <input type="checkbox"/>		

10	What Procurement Route will be used?	EU Non-EU	<input checked="" type="checkbox"/> <input type="checkbox"/>
11	If EU Procurement Route to be used, which procedure will apply?	Open Restricted Other If 'Other' please provide details below:	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
12	If Non-EU Procurement Route to be used, which procedure will apply?	Open Restricted Approved List Other If 'Other' please provide details below:	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
13	What Evaluation Criteria will be used?	Lowest Price Most Economically Advantageous	<input type="checkbox"/> <input checked="" type="checkbox"/>
14	Procurement Checklist	Procurement checklist provided to Procurement Manager? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
15	Details of Council Officer responsible for this procurement process	Name Telephone	Lauren Anthony (Risk & Insurance Manager) 01698 403946