

**NORTH LANARKSHIRE COUNCIL REPORT**

To: POLICY AND RESOURCES (FINANCE AND CUSTOMER SERVICES) SUB – COMMITTEE		Subject : PUBLIC & EMPLOYER LIABILITY INSURANCE TENDER 2015
From: HEAD OF REVENUE SERVICES		
Date : 6 February 2015	Ref: BC/LA	

**1 Purpose of the Report**

1.1 The purpose of this report is to seek Committee approval to award the contract of insurance for renewal of the Council's combined liability insurance programme. At the Policy and Resources (Finance and Customer Services) sub – Committee on 11<sup>th</sup> November the approval was granted to commence a tender exercise in regard to the report "Risk & Insurance Team: Public & Employer Liability Insurance Tender 2015".

**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.
- 2.2 In November 2014 our existing provider, Travelers Insurance Co Ltd (TICL), confirmed their intention to break the Long Term Agreement for the 2015 renewal on liability covers only, indicating increases of approximately 600% on the liability premium which is currently £446,712 per annum, forcing the council to seek to retender the liability insurance cover.
- 2.3 An Open tendering process was undertaken with tenders invited from interested insurers to provide combined liability insurance cover to commence on 1st April 2015 for a period of up to 6 years to bring this policy back in line with the other remaining policies which are due for tender in 2016.
- 2.4 To make the tender more attractive to potential new market entrants the 6 year contract term is based on 3 years with 2 further extension periods of 2 years and 1 year.

**3 Current Position**

- 3.1 The council has an insurance strategy which combines self-insurance with insurance cover purchased from the external market. Self insured claims are paid from the Insurance Fund with the total amount that the council may have to pay in respect of Liability losses being capped by an Aggregate Stop Loss. An Aggregate Stop Loss is the accumulation of self insured claims in one year and, if total claims exceed the agreed Aggregate limit, the insurer then reimburses the council on further losses. It is the maximum that the council has to pay.
- 3.2 The current liability policy has an excess level of £300,000 and Aggregate Stop Loss of £3,732,435.

**4 Tender Requirements**

4.1 Tenderers were asked to submit offers for:

- A £300,000 deductible with a target aggregate cap of £2,500,000; and
- B £500,000 deductible with a target aggregate cap of £2,600,000

Tenderers were also given the option to submit a third offer representing what they deemed to be the optimum programme structure for the council.

## 5 Evaluation Process

- 5.1 An evaluation scoring methodology was prepared and details were included in the tender documentation issued to prospective Tenderers via the Public Contracts Scotland portal.
- 5.2 To assist in identifying the optimum level of deductible / aggregate cap against premium costs, a benchmark analysis exercise was carried out based on historical claims data which confirmed the number of claims had reduced from 1,750 in 2001/02 to 707 in 2013/14, and the total annual costs were in the range from £819,170 to £1,743,883.
- 5.3 None of these claims have exceeded the £300,000 deductible, nor has the aggregate cap of £3,732,435 been breached. Neither of the requested aggregate caps, paragraph 4.1, would have been breached over these years.

## 6 Tender Evaluation

- 6.1 Three insurers responded:
  - Maven Public Sector
  - Risk Management Partners (RMP)
  - Travelers Insurance Co Ltd
- 6.2 The tender evaluation panel consisted of three council Officers and the Marsh Client Service Director responsible for the advising and brokering the council's insurance business.
- 6.3 From the Technical & Professional Ability evaluation both Maven and Travelers Insurance Co Ltd failed to achieve the minimum score required to progress through the selection stage to the award stage.
- 6.4 The response from RMP presented premiums for 2 programme options summarised in Table 1 below. These were fully evaluated to ensure that they met with the council's requirements. A further evaluation was then undertaken based on whether the programme structure associated with each premium tendered was aligned with the council's risk retention appetite.

Table 1

Option	Deductible / Excess	Aggregate	Premium (inc IPT)
A	£300,000	£2.5 million	£273,330
B	£500,000	£2.75 million	£201,780

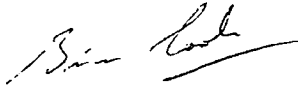
- 6.5 The evaluation of the responses from RMP determined that the combination of deductible, aggregate and premium cost, when applied to the council's benchmarked claims data, results in Option B being the optimum programme for the council.
- 6.6 Option B reduces the Council's annual exposure to liability insurance claims from £3.7m to £2.75m. This is the maximum amount the Council may need to pay out to settle all claims for any particular policy year.
- 6.7 Based on the current annual premium cost, Option B would reduce the Council's premiums for this part of the insurance portfolio by approximately £0.245m per annum.

## **7 Corporate Considerations**

- 7.1 The cost of the insurance contract premium is borne by the Council's Insurance Fund (CIF). The management of the CIF aims to ensure that over the life of the fund there is sufficient resources to meet future claim liabilities at a sustainable level of recharges to Council Services.
- 7.2 The outcome of this tender, and the renewal of the remaining insurance portfolio as referred to in section 2, will be considered at the next triennial review in October 2016 and any necessary amendments will be made to the funding levels and recharges for the CIF.

## **8 Recommendations**

- 8.1 It is recommended that Committee approve the placement of the Council's Combined Liability insurance programme with RMP based on Option B as outlined above.



### **Head of Revenue Services**

Members seeking further information on the contents of this report are asked to contact Mr Brian Cook, Head of Revenue Services, Tel:- 01698 403929

**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="72"/> Months		<input type="text" value="72"/> Months													
6	Contract Start Date	<table border="1"> <tr> <td>DD</td> <td>MM</td> <td>YYYY</td> </tr> <tr> <td>01</td> <td>04</td> <td>2015</td> </tr> </table>	DD	MM	YYYY	01	04	2015		<table border="1"> <tr> <td>DD</td> <td>MM</td> <td>YYYY</td> </tr> <tr> <td>01</td> <td>04</td> <td>2015</td> </tr> </table>	DD	MM	YYYY	01	04	2015	
DD	MM	YYYY															
01	04	2015															
DD	MM	YYYY															
01	04	2015															
7	Contract End Date	<table border="1"> <tr> <td>DD</td> <td>MM</td> <td>YYYY</td> </tr> <tr> <td>31</td> <td>03</td> <td>2021</td> </tr> </table>	DD	MM	YYYY	31	03	2021		<table border="1"> <tr> <td>DD</td> <td>MM</td> <td>YYYY</td> </tr> <tr> <td>31</td> <td>03</td> <td>2021</td> </tr> </table>	DD	MM	YYYY	31	03	2021	
DD	MM	YYYY															
31	03	2021															
DD	MM	YYYY															
31	03	2021															
8	Contract Extension	<p>Is a provision being included to extend the contract?</p> <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>If 'Yes', what is the maximum period of extension being sought?</p> <input type="text" value="36"/> Months		<p>Has a provision been included to extend the contract?</p> <p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>If 'Yes', what is the maximum period of extension included?</p> <input type="text" value="36"/> Months													
9	Total Value	<input type="text" value="£ 2.6 Million (minimum)"/>		<input type="text" value="£ 1.211 Million (minimum)"/>	<p>Actual <input checked="" type="checkbox"/> Estimate <input type="checkbox"/></p>												

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 <input type="text" value="Lauren Anthony (Risk &amp; Insurance Manager)"/> Telephone <input type="text" value="01698 403946"/>	