

NORTH LINCOLNSHIRE COUNCIL

FINANCE AND GOVERNANCE CABINET MEMBER

PROCUREMENT OF INSURANCE SERVICES

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 The Council's main insurance contracts are due to end on 30th September 2022. The intention is to tender a new contract for a duration of up to five years.
- 1.2 The purpose of this report is to seek approval to commence the process for the procurement of insurance services.

2. BACKGROUND INFORMATION

- 2.1 The Council's insurance programme aims to provide protection to the Council in respect of the main risks as follows:

Liability: This indemnifies the Council in respect of claims from the public or employees for injury or other loss. Where appropriate this includes professional indemnity cover in relation to works providing advice carried out other than in relation to our statutory requirements.

Property: This covers damage to buildings and contents and extends to cover All Risks insurance for items such as I.T. servers and art collections. The cover does not operate in respect of all perils but does cover fire, explosion, lightning, damage by aircraft and storm/flood.

Motor: This operates in relation to own and hired in vehicles to operate in respect of the statutory road traffic risks and accidental damage to our own/hired in fleet.

Crime: This is in place to cover fraud by employees and third parties. The Council has a statutory requirement to maintain cover in relation to fraud by employees.

Personal Accident Cover: This operates to provide a payment for employees, members, volunteers and school pupils if they suffer permanent disability while engaged on their activities.

Engineering Inspection Contract: This provides for the independent statutory inspection of lifting equipment and pressure systems. Traditionally this has been provided by way of the insurance programme.

There is some limited cover in relation to damage to property caused by the fragmentation of lifting plant or explosion of pressure vessels.

In order to maintain cover in the most cost effective manner the Council elects to take excesses mainly in respect of the main corporate policies of liability and property. These excesses may be subject to amendment dependent on the outcome of the development of the market presentation.

- 2.2 The Council's current Insurance service contract is provided by Zurich Municipal (liability motor, crime and engineering), and Risk Management Partners Property). However, these are due to end on the 30th September 2022, and there are no extensions available.
- 2.3 In order to maintain the provision, the replacement contract(s) needs to commence on the 1st October 2022.
- 2.4 The tender for services will be informed by the Council's risk profile and claims history and supported by the Council's broker and the Council's procurement team.
- 2.5 The procurement process will be compliant with the Council's Contract Procedure Rules and Public Contracts Regulations 2015.
- 2.6 The indicative whole life budget for the new contract is in the region of £6,000,000.

3. OPTIONS FOR CONSIDERATION

- 3.1 With the exception of statutory insurance cover (e.g.employer liability and third party motor) do not take out insurance through an insurer and instead self-insure out of the Council's resources. (Option 1)
- 3.2 Extend the existing contracts with the Council's current insurers from 1st October 2022 for a period of up to 5 years. (Option 2)
- 3.3 Carry out a tender process to re-procure the Council's main insurance covers from 1 October 2022 for a period of up to 5 years. (Option 3)

4. ANALYSIS OF OPTIONS

- 4.1 Option 1 is not recommended. Not having cover for insurable financial risks greatly increases the financial risks as the council would have to fund claims out of its own resources. Potentially settlements can be well in excess of £1 million or significantly higher.
- 4.2 Option 2 would be contrary to the Council's Contract Procedure Rules (CPRs), and public procurement regulations. Extension of the existing

contracts beyond its contract life could lead to legal challenge from other suppliers, whilst by carrying out a full procurement exercise would ensure that the Council would achieve value for money.

- 4.3 Option 3 will allow the Council to test Value for Money and award contracts for the provision of the Insurance Services which are compliant with the Public Contracts Regulations 2015. For these reasons, **this is the recommended option.**

5. **FINANCIAL AND OTHER RESOURCE IMPLICATIONS (e.g. LEGAL, HR, PROPERTY, IT, COMMUNICATIONS etc.)**

5.1 As highlighted in section 2 the cost of insurance is significant. The indicative whole life budget is in line with the current insurance budgets, but it is recognised that there are potential financial risks should the procurement exercise result in premiums being significantly greater than at current levels.

5.2 Based on current market intelligence there is a likelihood that the Council may need to increase its current excesses to reduce the risk of significantly increased premiums. This would have financial implications which would have to be carefully considered and managed.

5.3 As part of the existing shared service arrangements with North East Lincolnshire for Internal Audit, Risk and Assurance, the procurement process will be undertaken jointly, with each Council having separate policies based upon each organisation's risk profile.

6. **OTHER RELEVANT IMPLICATIONS (e.g. CRIME AND DISORDER, EQUALITIES, COUNCIL PLAN, ENVIRONMENTAL, RISK etc.)**

6.1 There are no specific crime and disorder, equalities, council plan or environmental implications associated with this decision. However, the risk of the Council having inappropriate, or no insurance is a significant financial, reputational and service risk and may result in some services not being able to be delivered effectively. As referred to in section 5 it should be noted that the indicative value of the contract(s) may increase due to the current insurance market. A successful outcome would lead to an economically advantageous premium and ensure the Council's risks are protected in the most cost-efficient manner.

7. **OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

7.1 A stage 1 integrated impact risk assessment has been carried out which demonstrated that this decision will have no significant impact on the council's policies, funding decisions, service provision, or on any specific groups or communities.

8. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 8.1 There is no requirement for this decision to be subject to internal or external consultation. No conflicts of interests have been identified in relation to this decision.

9. RECOMMENDATIONS

- 9.1 To approve the carrying out of a tender exercise to re-procure the Council's main insurance covers from 1 October 2022 for a period of up to 5 years. (Option 3)

DIRECTOR OF GOVERNANCE AND COMMUNITIES

Church Square House
SCUNTHORPE
North Lincolnshire
D15 6NL
Author: Peter Hanmer
Date: 4 March 2022

Background Papers used in the preparation of this report – N/A