

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CABINET

19 FEBRUARY 2019

### REPORT OF THE INTERIM HEAD OF FINANCE AND SECTION 151 OFFICER

#### RENEWAL OF INSURANCE COVER

#### 1. Purpose of Report

- 1.1 The purpose of this report is to inform Cabinet of the result of the retender exercise for the liability and officials indemnity policies and to seek Cabinet approval to authorise Marsh UK Limited, as the Council's appointed insurance broker, to accept cover for the full range of policies, on behalf of the Council.

#### 2. Connection to Corporate Improvement Objectives/Other Corporate Priorities

- 2.1 This report assists in the achievement of the following corporate priority:-

- **Smarter use of resources** – ensuring that all its resources (financial, physical, human and technological) are used as effectively and efficiently as possible and support the development of resources throughout the community that can help deliver the Council's priorities.

#### 3. Background

- 3.1 Whilst the Council's insurance cover is subject to long term agreements with providers, the Council is required each year to agree annual premiums and associated claims handling costs for each policy in accordance with those agreements. This is carried out by Marsh UK Limited, who were reappointed as the Council's insurance broker in 2018.

- 3.2 The liability and officials indemnity policies are subject to long term agreements which expire on 30 March 2019. A retender exercise has therefore been carried out for these policies and the associated claims handling, via the National Procurement Service Insurance Services Dynamic Purchasing System NPS-PS-0032-15.

#### 4. Current situation/proposal

##### **Policies with Long Term Agreements in place**

- 4.1 Marsh UK Limited has undertaken the annual insurance renewal negotiations for the policies still subject to long term agreements. The net premiums, excluding insurance premium tax, are shown in Table 1 below.

**Table 1**

<b>Policy</b>	<b>2018-19 £</b>	<b>2019-20 £</b>	<b>Year on Year Change £</b>	<b>Year on Year Change %</b>	<b>Insurer</b>
Computer	9,535	9,218	(317)	(3.3)	RSA
Contractors Plant	14,700	14,650	(50)	(0.3)	Zurich Municipal
Engineering Insurance	5,528	5,772	244	4.4	Zurich Municipal
Engineering Inspection	32,504	32,875	371	1.1	Zurich Municipal
Fidelity Guarantee	24,288	25,340	1,052	4.3	QBE (via RMP)
Material Damage and Property Owners	220,637	223,937	3,300	1.5	Zurich Municipal
Medical Malpractice	5,311	5,311	0	0	Beazley
Motor Claims Handling & ancillary services	3,885	3,728	(157)	(4.0)	Gallagher Bassett
Motor Fleet	129,525	105,820	(23,705)	(18.3)	QBE (via RMP)
Personal Accident and Travel	7,371	7,645	274	3.7	Zurich Municipal
Porthcawl Harbour lock gate mechanism	780	796	16	2.1	Allianz
Professional Indemnity	6,600	7,060	460	7.0	QBE (via RMP)
School Offsite Activities	17,234	17,234	0	0	Chubb
Terrorism	9,985	9,985	(0)	(0)	Marsh
<b>Total</b>	<b>487,883</b>	<b>469,371</b>	<b>(18,512)</b>	<b>(3.8)</b>	

4.2 The negotiations have resulted in an overall reduction in premium from 2018-19 of £18,512 and the main points to note are:

- The Fidelity Guarantee premium has increased because it is rated on wages and salaries and these have gone up.
- The Motor Fleet premium has decreased due to a reduction in vehicle numbers.
- The Material Damage and Property Owners premium has increased because it has been identified that in 2018-19 the Insurer did not charge premium for some insured perils under the contents insurance.
- The Professional indemnity premium has increased because the Council has declared an increase in the fees earned from contracts with external organisations.

- 4.3 The Medical Malpractice policy premium has not yet been confirmed because the Insurer does not release renewal terms until 30 days before the renewal date. However, it is anticipated that the cost will be the same as 2018-19 which is £5,311.
- 4.4 The Terrorism policy premium has not yet been confirmed because the Insurer does not release renewal terms until 30 days before the renewal date. However, it is anticipated that the premium will be the same as 2018-19 which is £9,985.
- 4.5 An Offsite Activities insurance policy for Youth Services will not be renewed because it has been identified that the type of trips which benefit from this type of insurance are not being undertaken. This has been agreed with the service.

**Policies Re-tendered (Liability & Officials Indemnity)**

- 4.6 The Council confirmed to bidders that awards would be made to the ‘most economically advantageous’ tender, based on a weighting of 50% for price and 50% for quality. The specifications asked for tenders based on a number of long term agreement options, namely: three years, three years with an option to extend for a further two years and five years.
- 4.7 Tenders were received electronically by the deadline of 8 January 2019. One company submitted a tender but did not complete the required evaluation sheets. They were deemed non-compliant and therefore excluded from further evaluation.
- 4.8 The companies who responded in accordance with the tender instructions have been identified as companies A, B, C, and D in the second column of Table 2. Tenders have been evaluated, with the assistance of Marsh UK Limited, in accordance with the tender evaluation criteria. The responses to the tender, winning score, and recommended Insurer, are detailed in Table 2 below.

**Table 2**

<b>Policy</b>	<b>Insurer</b>	<b>Available Score</b>	<b>Winning Score</b>	<b>Recommended Insurer</b>
Liability & Officials Indemnity	A, B, C, D	100	91.06	RMP

- 4.9 Following consideration of the bids received, a five year long term agreement is recommended because of the prices achieved. The score in Table 2 above is therefore for a five year long term agreement. The current premium and claims handling costs and the new tender premium and claims handling costs are shown in Table 3 below. There is a reduction in total cost of £2,936.

**Table 3**

<b>Policy</b>	<b>2018-19 £</b>	<b>2019-20 £</b>	<b>Year on Year Change £</b>	<b>Year on Year Change %</b>
Liability & Officials Indemnity	217,010	£215,629	(1,381)	(0.6)
Liability Claims Handling	19,210	17,655	(1,555)	(8.1)
<b>Total</b>	<b>236,220</b>	<b>233,284</b>	<b>(2,936)</b>	<b>(1.1)</b>

4.10 An alternative quotation with a lower deductible was considered. However, when the past claims history was analysed it was not found to be economically advantageous.

## **5. Effect upon Policy Framework & Procedural Rules**

5.1 There will be no direct effect on the Policy Framework & Procedure Rules.

## **6. Equality Impact Assessment**

6.1 There are no equality implications.

## **7. Well-being of Future Generations (Wales) Act 2015 Implications**

7.1 The well-being goals identified in the Act were considered in the preparation of this report. It is considered that there will be no significant or unacceptable impacts upon the achievement of well-being goals/objectives as a result of this report.

## **8. Financial Implications.**

8.1 The costs for 2019-20 are shown in Table 4 below, and reflect a reduction of £21,448 (3.0%) on 2018-19. Costs will be met from the 2019-20 insurance revenue budget.

**Table 4**

	<b>2018-19 £</b>	<b>2019-20 £</b>	<b>Year on Year Change £</b>
Existing Long Term Agreements	487,883	469,371	(18,512)
Re-tendered policies	236,220	233,284	(2,936)
<b>Total Price</b>	<b>724,103</b>	<b>702,655</b>	<b>(£21,448)</b>

7.2 The premiums are net figures and other than Engineering Inspection, claims handling and part of the Terrorism insurance, are subject to 12% Insurance Premium Tax. The Engineering Inspection, claims handling and part of the Terrorism insurance are subject to VAT. The total tax liability for Insurance Premium Tax is £77,955 which is a decrease of £2,432 from 2018-19.

## **8. Recommendation.**

- 8.1 That Cabinet approves the acceptance of the quotations in paragraphs 4.1 and 4.9 and the renewal of the insurance programme through Marsh UK Limited as the Council's appointed Insurance Broker.

**Gill Lewis**  
**Interim Head of Finance and Section 151 Officer**  
**19 February 2019**

**Contact Officer:** **Roger Martin**  
Risk Management & Insurance Officer

**Telephone:** (01656) 643318

**E-mail:** Roger.Martin@bridgend.gov.uk

**Postal Address** Bridgend County Borough Council  
Ravens Court  
Brewery Lane  
Bridgend  
CF31 4AP

### **Background documents**

The Risk Management & Insurance Section holds the insurance renewal tender documents and renewal report from Marsh UK Limited.