

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CABINET

10 MARCH 2020

### 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 Motor, Fidelity Guarantee, Computer, Engineering Inspection, Personal Accident & Travel, and the School Journey 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 2019.

3.2. The Motor, Fidelity Guarantee, Computer, Engineering Inspection, Personal Accident & Travel, and the School Journey policies are subject to long term agreements which expire on 30 March 2020. A retender exercise has therefore been carried out for these policies, via the National Procurement Service Insurance Services Dynamic Purchasing System.

##### 4. Current situation / proposal

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

Marsh UK Limited has undertaken the annual insurance renewal negotiations for the policies still subject to long term agreements, other than the Property policy which is placed direct with Zurich Municipal as Zurich Municipal do not deal with brokers. The net premiums, excluding insurance premium tax, are shown in Table 1 below.

**Table 1 – Non-Tendered policies**

| Policy                                | 2019-20            | 2020-21            | Year on Year Change (£) | Year on Year Change (%) | Insurer           |
|---------------------------------------|--------------------|--------------------|-------------------------|-------------------------|-------------------|
| Material Damage                       | 223,062.64         | 239,571.10         | 16,508.46               | 7%                      | Zurich Municipal  |
| Property Owners                       | 874.36             | 4,040.48           | 3,166.12                | 362%                    | Zurich Municipal  |
| Contractors Plant                     | 14,650.00          | 14,650.00          | 0.00                    | 0%                      | Zurich Municipal  |
| Medical Malpractice                   | 5,311.26           | 5,311.26           | 0.00                    | 0%                      | Beazley           |
| Porthcawl Harbour lock gate mechanism | 795.90             | 836.00             | 40.10                   | 5%                      | Allianz           |
| Terrorism                             | 9,806.45           | 9,642.00           | -164.45                 | -2%                     | Lloyds            |
| Employers Liability                   | 70,750.00          | 72,945.00          | 2,195.00                | 3%                      | QBE via RMP       |
| Public Liability                      | 98,750.00          | 135,000.00         | 36,250.00               | 37%                     | QBE via RMP       |
| Officials Indemnity                   | 30,370.00          | 30,370.00          | 0.00                    | 0%                      | QBE via RMP       |
| Professional Indemnity                | 7,060.00           | 7,060.00           | 0.00                    | 0%                      | QBE via RMP       |
| Liability Claims Handling             | 17,655.00          | 16,592.33          | -1,062.67               | -6%                     | Gallagher Bassett |
| <b>Total</b>                          | <b>£479,085.61</b> | <b>£536,018.17</b> | <b>£56,932.56</b>       | <b>12%</b>              |                   |

The negotiations have resulted in an overall increase in premium of £56,932.56 from 2019-20 and the main points to note are:

### **Material Damage**

Whilst there has been a slight rate increase, the majority of the premium increase comes from the fact that the property sums insured have increased by 12% from the 2019 renewal.

### **Property Owners**

This covers premises that are owned by BCBC but occupied and managed by Third Parties. This premium has increased following the addition of the Rest Bay Watersports Centre.

### **Employers Liability**

There has been a 3% rating increase applied to the existing payroll estimates.

### **Public Liability**

QBE have re-evaluated their Liability policies for all policyholders due to increasing claims costs and the evaluation has resulted in premium increases for all policyholders, and an increase for BCBC in particular of £36,250.

Despite the overall increase of 17% across the Combined Liability policy (Public Liability and Employers Liability), the premium is still lower than the 2<sup>nd</sup> best tender last year and so the recommendation is to renew with QBE and not re-tender.

## 4.2 Policies Re-tendered

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 2 long term agreement options, namely: three years, and three years with an option to extend for a further two years.

Tenders were received electronically by the deadline of 27 January 2020. One company submitted a tender after the deadline and they were deemed non-compliant and therefore excluded from further evaluation.

The companies who responded in accordance with the tender instructions have been identified as companies A – H in the first row 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 – Tender Scores**

| Policy                      | Available Score | A     | B     | C     | D     | E     | F     | G     | H     | Winning Score | Recommended Insurer |
|-----------------------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|---------------|---------------------|
|                             |                 |       |       |       |       |       |       |       |       |               |                     |
| Fidelity Guarantee          | 100             | 94.55 | 86.03 |       |       |       |       |       |       | 94.55         | RMP                 |
| Motor Fleet                 | 100             | 67.04 | 75.23 | 91.91 |       |       | 80.89 |       |       | 91.91         | Edison              |
| Personal accident & Travel  | 100             | 68.95 | 91.87 |       | 68.00 |       |       |       |       | 91.87         | Zurich Municipal    |
| Offsite & Onsite activities | 100             | 61.19 | 77.80 |       | 85.71 | 84.08 |       |       |       | 85.71         | Maven               |
| Engineering Inspection      | 100             | 87.63 | 92.80 |       |       |       |       | 63.80 | 82.03 | 92.8          | Zurich Municipal    |
| Computer                    | 100             | 71.82 | 74.23 |       |       |       |       | 69.90 |       | 74.23         | ZM                  |

4.3 Following consideration of the bids received, a 3 year long term agreement is recommended with an option to extend for a further 2 years. The current premium and the new tender premium are shown in Table 3 below. There is a reduction in total cost of £5,181.61.

**Table 3 – Tendered policies**

| Policy                | 2019-20<br>£ | 2020-21<br>£ | Year on Year Change<br>£ | Year on Year Change<br>% | Recommended Insurer |
|-----------------------|--------------|--------------|--------------------------|--------------------------|---------------------|
| Fidelity Guarantee    | 25,340.00    | 33,000.00    | 7,660.00                 | 30%                      | QBE via RMP         |
| Motor Fleet           | 105,850.00   | 96,350.00    | -9,500.00                | -9%                      | Edison              |
| Motor Claims handling | 3,728.00     | 0.00         | -3,728.00                | -100%                    | N/A                 |

|                                    |                   |                   |                  |            |                  |
|------------------------------------|-------------------|-------------------|------------------|------------|------------------|
| Personal Accident & Travel         | 7,635.00          | 13,149.60         | 5,514.60         | 72%        | Zurich Municipal |
| School Offsite & Onsite activities | 17,233.91         | 12,740.02         | -4,493.89        | -26%       | Maven            |
| Engineering Inspection             | 32,875.44         | 30,731.00         | -2,144.44        | -7%        | Zurich Municipal |
| Engineering Insurance              | 5,772.19          | 4,500.00          | -1,272.19        | -22%       | Zurich Municipal |
| Computer                           | 9,217.69          | 12,000.00         | 2,782.31         | 30%        | Zurich Municipal |
| <b>Total</b>                       | <b>207,652.23</b> | <b>202,470.62</b> | <b>-5,181.61</b> | <b>-2%</b> |                  |

## 5. Effect upon Policy Framework & Procedural Rules

5.1 There is no effect upon the Policy Framework & Procedure Rules.

## 6. Equality Impact Assessment

6.1 There are no equality implications arising from this report.

## 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 UK Insurance Premium Tax (IPT) @ 12% applies to all classes of insurance. The premiums above exclude IPT. The total tax liability for Insurance Premium Tax is £82,939.86. Engineering Inspection and claims handling are service contracts not Insurance policies and attract VAT at 20%. The total tax liability for Insurance Premium Tax has increased by £5,062.86 compared to 2019-20.

8.2 The costs for 2020-21 are shown in Table 4 below, and reflect an increase of £51,750.95 (8%) on 2019-20 premiums, and £5,062.86 on Insurance Premium Tax. The additional costs will be met from the 2020-21 insurance revenue budget which has sufficient headroom to meet these costs.

**Table 4 – Total Premiums**

|                       | 2019-20<br>£      | 2020-2021<br>£    | Year on<br>Year<br>£ | Year on<br>Year % |
|-----------------------|-------------------|-------------------|----------------------|-------------------|
| Non-tendered Policies | 479,085.61        | 536,018.17        | 56,932.56            | 12%               |
| Re-tendered policies  | 207,652.23        | 202,470.62        | -5,181.61            | -2%               |
| <b>Total Premium</b>  | <b>686,737.84</b> | <b>738,488.79</b> | <b>51,750.95</b>     | <b>8%</b>         |

|                              |                  |                  |                 |             |
|------------------------------|------------------|------------------|-----------------|-------------|
|                              |                  |                  |                 |             |
| <b>Insurance Premium Tax</b> | <b>77,877.00</b> | <b>82,939.86</b> | <b>5,062.86</b> | <b>6.5%</b> |

## **9. Recommendation.**

- 9.1 It is recommended that Cabinet approves the acceptance of the quotations in paragraphs 4.1 and 4.3 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**  
**28<sup>th</sup> February 2020**

**Contact Officer:** **Karen Davies**  
Insurance Officer

**Telephone:** (01656) 643318

**E-mail:** Karen.Davies@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.