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## Report to CABINET

# Liability Insurance Tender Report

**Portfolio Holder:** Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Green

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### Reason for Decision

Following the end of the long-term agreement for current insurances, a tender exercise was carried out for insurance and it is necessary to consider the insurance position going forward for the next five years.

### Executive Summary

This report provides an overview of the recent tendering exercise for the Council, Unity Partnership and Miocare's ongoing liability insurance and provides information in relation to the other insurances currently subject to long term agreements.

### Recommendation

*Full details are included in the commercially sensitive version report*

That Cabinet:

- a) approves Bidder A, under the liability tender arrangements for the Council, Unity Partnership and Miocare.
- b) Notes that renewals for all other insurances will be undertaken with current insurers in line with the long term agreements

## Insurance Tender

### 1 Background

- 1.1 The insurances for the Council, Miocare and Unity Partnership are currently tendered in two parts:
- Liability insurance which covers the Council's legal liabilities including employers and public liability insurance. Examples of these are highway tripping claims and employee accidents. These policies were appointed via a tender process in July 2016, these policy long term agreements expire on the 31 March 2021.
  - Property insurance which provides cover for the Council's assets for fire, lightning, explosion, aircraft, riot, storm and flood, and motor insurance. These policies were last tendered in 2019 and are subject to a Long Term Agreement with insurers until March 2024.
- 1.2 This report provides an overview of the recent tendering exercise for the ongoing liability insurance for the Council, Unity Partnership and Miocare.

### 2 Current Position

#### 2.1 Insurance Market Background

- 2.1.1 The insurance market for Local Authorities traditionally had been dominated by three providers. Two new insurance providers entered the public sector market over the past few years. A further insurer remains an interested party for property and liability risks but currently has very limited public sector clients.
- 2.1.2 The first quarter of 2020 saw the tenth consecutive quarter of price increases across the insurance market. The major price increases were around property, financial and professional lines, with the largest being in the Directors' and Officers' rates. Covid-19 has meant changes to prices, cover and risks across the public sector.
- 2.1.3 Insurers are facing a double hit from coronavirus. Claims are increasing and there has also been a hit to reserves from volatile financial markets. The Financial Conduct Authority (FCA) brought a case against eight insurers in June 2020 to clarify whether 21 policy wordings, affecting potentially 700 types of policies, 60 insurers, 370,000 policyholders and billions in insurance claims, covered disruption and Government-ordered closures to curb the virus. The decision which was largely in the policy holders favour, has been appealed and the judgement was received in January, again in the policyholders' favour. This decision will affect insurance pricing. It is expected the hardening insurance market will last a further two to three years.
- 2.1.4 There have been blanket exclusions put in place by insurers in relation to pandemic cover, with the adult care sector being one of the worst impacted. Some areas are having insurance premiums quadrupled and exclusions put in place in relation to coronavirus/pandemic cover.
- 2.1.5 In relation to risk exposure for insurers, existing insurance policies never anticipated that organisations would find themselves having to transform their operations to such an extent, and, as a result, may not respond as expected. An example of this is the

redeployment of staff, where many employees who would normally be desk-based are stepping up to help operational roles. The risks associated with an employee working in an office are markedly different to those of someone providing support for lateral flow tests or marshalling immunisation centres.

- 2.1.6 Some premises are now empty and construction sites put on hold. It's common for insurance cover to include clauses relating to this and, without taking appropriate steps to improve risk, the organisation could find a claim rejected.
- 2.1.7 Schools have seen a huge increase in travel plans being cancelled or delayed which has resulted in a large number of claims being made to insurers.
- 2.1.8 There is also the potential for an increase in employer liability claims. These are incredibly stressful times and, sadly, there is an increased risk that staff could be subjected to verbal and physical abuse whilst carrying out their roles, and be suffering with isolation or health issues themselves.

## **2.2 Tender**

- 2.2.1 For this tender the Council used the YPO Insurance Services Dynamic Purchasing System which allowed the Council flexibility, legality, access to pre-qualified suppliers, and the benefits of aggregation of spend. The tender was carried out with the assistance of Gallagher's, the Council's brokers, and the Council Procurement Team.
- 2.2.2 There is now far more scrutiny of individual exposures and insurers are being more selective and discriminate more against poor risks. The Council conducted the tender under the framework agreement and invited all insurers on the framework to tender. The criteria are weighted 50% on service standards and cover and 50% on price.
- 2.2.3 Four suppliers on the framework confirmed that they were able to meet the criteria listed in the tender documentation and submitted proposals to the Council.
- 2.2.4 An analysis of pricing and quality was carried out by an evaluation team made up of the Insurance Team, Procurement Section and Gallagher's. Quotes were obtained on the basis of a three-year deal with an option to extend for a further two years, and a straight five year long term agreement. Most insurers provided prices on a five-year long term. Four insurers quoted.
- 2.2.5 Details in relation to the bidders are provided in the private version of the report due to reasons of commercial confidentiality. However, the evaluation scores for two bidders (A) and (B) were higher and therefore subject to detailed consideration.

## **2.3 Renewal**

- 2.3.1 The Property and Motor insurance policies will renew on the 1<sup>st</sup> April 2021. All renewal information has been provided to insurers however premiums are not expected to be received until the end of February.

## **3 Options/Alternatives**

- 3.1 Option 1) To award the contract to Bidder A
- 3.2 Option 2) To award the contract to Bidder B.

- 3.3 Option 3) To not award the contract. This option would leave the Council with no formal insurance in place. The Council would then need to self-insure all areas of insurance going forward from Council funds.

#### **4 Preferred Option**

- 4.1 The preferred option is Option 1. Based on the hardening of the insurance market, and the need for pricing certainty in the coming years it is recommended that the Council places cover on a 5 year deal for its liability Insurance and renew all other insurance in line with the long term agreements.

#### **5 Consultation**

- 5.1 There has been consultation with external insurance advisors, the Council's Procurement Team and the Cabinet Member.

#### **6 Financial Implications**

- 6.1 The Insurance Budget comprises a mix of external premia and self-insurance for both liability and property/asset insurances. *Further financial comments are in the commercially sensitive report (Mike Ward)*

#### **7 Legal Services Comments**

- 7.1 None (Colin Brittain)

#### **8 Co-operative Agenda**

- 8.1 The purpose of obtaining quality insurance at best value complements the council's priorities and objectives under the Cooperative Agenda.

#### **9 Human Resources Comments**

- 9.1 HR have been consulted and have provided relevant staffing information for the contract specification. There are no other HR implications.

Adam Ratcliffe – HR Delivery and Performance Manager

#### **10 Risk Assessments**

- 10.1 The Council needs to place appropriate insurance to mitigate unforeseen implications from future risk. The programme of insurance as recommended in this report proposes placing insurance to mitigate such risks in accordance with the agreed financial envelope of the Council (Mark Stenson)

#### **11 IT Implications**

- 11.1 None.

#### **12 Property Implications**

- 12.1 None

**13 Procurement Implications**

13.1 The Commercial Procurement Unit supports the recommendations outlined in the report. The procurement process has been carried out in line with both EU regulations and the Council's Contract Procedure Rules. Value for money has been achieved through this process; balancing quality and cost. (Emily Molden)

**14 Environmental and Health & Safety Implications**

14.1 None

**15 Equality, community cohesion and crime implications**

15.1 None

**16 Equality Impact Assessment Completed?**

16.1 Not required

**17 Key Decision**

17.1 Yes

**18 Key Decision Reference**

18.1 FG-02-21

**19 Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act :

File Ref : Records held on the Chest e-procurement portal ([www.the-chest.org.uk](http://www.the-chest.org.uk)).

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**20 Appendices**

20.1 None