

# Insurance Tender Evaluation and Recommendations



<b>Report to:</b>	Cabinet
<b>Date:</b>	10 December 2024
<b>Portfolio Holder:</b>	Councillor James Leppard, Portfolio Holder for Finance
<b>Lead Officer:</b>	Jacqueline Van Mellaerts, Assistant Director – Finance (01279) 446251
<b>Contributing Officer:</b>	Stuart Moseley, Insurance and Risk Manager (01279) 446215
<b>Key Decision:</b>	Yes
<b>Forward Plan:</b>	Forward Plan number I017164
<b>Call In:</b>	This item is subject to call in procedures
<b>Corporate Mission:</b>	Deliver High-Performing Council Services
<b>Wards Affected:</b>	None specifically

## Executive Summary

**A** This report details the process and outcomes of the tender for the council's main insurance programme and recommends a delegation to finalise the necessary contract for the council's main insurance programme which ends on 31 March 2025 and therefore, is being retendered for the new period.

## Recommended that:

- A** Cabinet notes the outcome of the insurance tender process for the council's main insurance programme as detailed in Appendix A.
- B** Authority is delegated to Assistant Director – Finance (Section 151 Officer) in consultation with Portfolio Holder for Finance to make final contract awards following the outcomes of minor clarifications, which are not expected to materially affect the evaluation.
- C** The council notes that Arthur J Gallagher will be retained as insurance brokers for the duration of the Long-Term Agreement.

- D** Quoted premiums are subject to review based on claims experience as 28 February 2025 and any portfolio changes since submission of the ITT. If the council exercises its right under the ITT to seek revised terms from unsuccessful tenderers, award of contract is delegated to Assistant Director – Finance (Section 151 Officer) in consultation with Portfolio Holder for Finance.

### **Reason for decision**

- A** To enable the council to enter into contracts for insurance service provision in compliance with Public Contracts Regulations 2015 and Standing Orders Relating to Contracts and Financial Regulations.
- B** With regard to recommendation D, terms have been sought from insurers well in advance of the renewal date to accommodate the council’s budgetary process and tenderers will not hold terms open until that date. In view of this, a mechanism has been included within the ITT to request that terms be held open, subject to a review of claims experience as at 28 February 2025, until 1 April 2025. If the successful tenderers seek to revise terms significantly based on updated claims experience, the council reserves the right to go back to unsuccessful tenderers with the updated claims experience and seek revised terms from them. If these terms prove to be better than the successful tenderers, then the council reserves the right to change the award of contracts accordingly.

### **Other Options**

- A** Framework Agreements are an alternative option to an Open Procedure Tender. However, the traditional public sector insurance market is extremely limited, and insurance contracts are complex with variable options to obtain optimum cover and price. Framework Agreements can limit access to suppliers and restrict flexibility to accommodate specific needs and requirements. In addition, much of the insurance market which could provide insurance cover only operates through brokers. The use of a professional insurance broker gives the level of support to run an Open Procedure process and provides greater opportunity to obtain cover from the wider commercial insurance market.

### **Background**

1. The council previously renewed its Long-Term Agreement (LTA) for insurance service provision on 1 April 2020. That contract expires 31 March 2025, and the council is required to tender for a new insurance LTA
2. Arthur J Gallagher & Co insurance brokers have assisted in the tender process, conducted under the Public Contracts Regulations 2015 – Open Procedure – process, and are to be retained as the council’s brokers for the duration of the LTA if required.

3. The council's main insurance programme was split into 8 'Lots', reflecting the various Classes of Business being tendered, to enable specialist insurers to bid and provide potential wider market interest.
4. The ITT was available to bidders from 23 August 2024 via MyTenders under FTS reference 20240823-000001 (2024/S 000-026957) and the closing date for bids was 4 October 2024. Four bids have been received and evaluated.

### **Tender Evaluation**

5. In accordance with the ITT bids have been evaluated on a 40% Price: 60% quality evaluation.
6. Full evaluations of each tender have been prepared by the council's brokers following moderation between Arthur J Gallagher and the council's Insurance Team.
7. Each bid was subject to an initial screening assessment to confirm that the response was submitted on time, completed correctly and was materially complete.
8. Cost evaluation was then undertaken. For each lot, the best overall bid was awarded 40% and all other tenders for that lot was awarded a proportion of 40% based on the formula Lowest Price/Price x Price Weightage. Further marks were awarded in respect of Financial Certainty and Core Cover Weighting to take into account any Rate Guarantees offered by bidders.
9. Quality Evaluation was then applied to each individual lot. The 60% available marks were broken down with maximum scores available as follows: Cover 30% (split Core Cover 20%, Principal Cover Extensions 5%, Exclusions and Conditions 5%), Service Delivery 10%, Claims Handling 15%, Social Value 5%.
10. The ITT also made provision to determine whether to award Lots separately or as a package where any bidder provided a package discount.

### **Issues/Proposals**

11. Only four bids were received, and not all bidders have bid for all lots. A further two insurers, who had expressed interest initially, offered no terms for any of the Lots tendered.
12. The response has been lower than expected, particularly in respect of the property classes. Two insurers stated that the council's Housing portfolio was significantly large and therefore did not wish to offer terms at this time. A further insurer declined to bid as they had flood modelling issues, despite the underwriter having good knowledge of the area and there not having been a record of losses in the claims experience.

13. It should be noted that the lack of construction information in respect of all property has proved challenging in terms of attractiveness. Property is a challenging area amongst insurers at present and it is strongly recommended to improve the quality of data the council retains because the demands for information from insurers continue to grow. It has been a factor in this tender. Brokers advise that without sufficient information, in future years it may be impossible to secure terms, or the council may find it only secures terms from existing property insurers purely because they have a history with the council. It is therefore welcome that the council is progressing towards a fully refreshed 100% internal and external stock condition data position which will go a long way towards remedying this issue.
14. There is an approximate saving of 7.72% compared with the same policies in 2024/2025. Details of the winning bidders are contained within Appendix A. Implications of the tender outcome will be reflected within the Medium-Term Financial Plan and budget for 2025/26.

## **Implications**

### **Equalities and Diversity**

There are no implications in respect of insurance provision, save to say that reasonable adjustments will be made to ensure that any person (resident or otherwise) wishing to make a claim under such cover is able to do so.

### **Climate Change**

There are no specific implications.

### **Finance**

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Author: Jacqueline Van Mellaerts, Assistant Director – Finance and Section 151 Officer

### **Governance**

The procurement process has been undertaken per council contract standing orders, and under procurement regulations, therefore mitigating risk to successful legal challenge.  
Author: Julie Galvin, Legal Services Manager and Monitoring Officer

## **Appendices**

Appendix A – Evaluation and Outcome of Insurance Tender

## **Glossary of terms/abbreviations used**

FTS – Find A Tender

ITT – Invitation to Tender

LTA – Long Term Agreement