

Executive

Award of Contract for a Combined Insurance Programme for Cherwell District Council

7 March 2011

Report of Head of Finance

PURPOSE OF REPORT

To seek approval for the award of a contract for a Combined Insurance Programme with the deletion of one policy and the increasing of excesses to those agreed in October 2009.

This report is public

Appendix 1 to this report is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972

Recommendations

The Executive is recommended:

- (1) Discontinue the insurance policy for money and increase excesses on a range of continuing policies.
- (2) Award a contract for a Combined Insurance Programme to Zurich Municipal for a period of three years from 1 April 2011 with the allowance purely at the discretion of the Council to extend by up to a further four years in one year increments.

Executive Summary

Introduction

Background

1.1 The Council currently purchases all its insurance cover from Zurich Municipal and benefits from:

- Consolidating all of its insurance requirements with a single supplier providing savings in terms of economies of scale and internal contract management resources;
- Dealing directly with the insurance provider rather than via a broker agency avoiding third party commission payments.

1.2 The Corporate Strategic Procurement Manager undertook an options

appraisal of the possible routes to market, including the use of frameworks provided by professional buying organisations, such as Buying Solutions and the South West Improvement and Efficiency Partnership. However, all these frameworks only made provision for letting contracts via a brokerage service and were based upon a multiple lot approach.

- 1.3 Whereas other authorities have used the multiple lot approach, breaking down the various requirements into self-standing bids, in an attempt to drive down prices with the main three insurance companies in the market, namely Zurich, AIG and Travelers, it was decided that the Council should be transparent about its strategy of seeking a single supplier for all its insurance needs. This approach avoids the need for a much more costly tender process for companies and Councils alike and allows focus to be given to competitive options in terms of excess and service provision.
- 1.4 The single supplier approach also allows the Council to:
- Manage risk and insurance claims more effectively with the transferring of the corporate responsibility for the management of insurance from the Risk Management and Insurance Officer to the Head of Finance, with the operational administration of claims delegated to Heads of Service and operational administrative teams;
 - Benefit from cost effective support and training provided by a single supplier who understands the Council's entire insurance portfolio;
 - Look to future economies of scale in the corporate management function within finance with other authorities, such as South Northamptonshire Council.

The Process

- 1.5 Due to the limited market meeting the Council's prerequisites for a direct, single supplier approach an open tender procedure was undertaken via the Official Journal of the European Union under reference number 2010/S 250-383837, dated 24 December 2010.
- 1.6 A total of five organisations expressed an interest in the tender with Zurich, AIG, Travelers and R. P. Lovatt putting forward further queries but only Zurich submitting a bid by the tender deadline of 10 February 2011.
- 1.7 When pressed for their reason for not submitting bids AIG and Travelers commented on how the highly effective risk management processes in place at Cherwell and the substantial reduction in premiums over the life of the current contract – including those achieved by the value for money review - left them with the conclusion that they could not compete effectively with the rates offered by Zurich who currently hold more than 80% of the local authority market.
- 1.8 Zurich's bid was evaluated on the basis of 70% of marks awarded for price and 30% of marks as per the table below:

Evaluation Criteria		Percentage available	Percentage awarded
1.	Price	70%	70%
2.	Assessment of Cover Offered	10%	10%
3.	Claims handling and Provision of	7%	7%

	Claims Data		
4.	Quality & Service Standards	8%	6%
5.	Range of Services	5%	4%
		100%	97%

- 1.9 Not surprisingly Zurich's bid was very strong and provided an offer with no hidden costs and a menu of choices to help with the transition of the corporate responsibility for insurance to Finance and the devolving of operational administration to the service areas.

The Offer

- 1.10 Further to evaluation of Zurich's written submission a clarification meeting was held which focused on:

- A review of excesses and areas where self-insurance may be more appropriate;
- Assurances as to the training and support to be made available to the Council during this period of transition.

- 1.11 The outcome of this meeting was a total combined offer which amounted to savings of £33,176.64 (13.7%) against the Council's 2010/11 premiums as outlined under section 2.1 and the demonstration of a structure in place that will amply support the Council as the responsibility for insurance moves to Finance.

Proposals

- 1.12 To accept the recommendations and prices listed within section 2.1.
- 1.13 To award a contract for a Combined Insurance Programme to Zurich Municipal for a period of three years from 1 April 2011 with the allowance purely at the discretion of the Council to extend by up to a further four years in one year increments.

Conclusion

- 1.14 The solution provided by Zurich Municipal will not only provide further premium savings of more than £33,000 to those already achieved over the last few years – the 2009/10 extension resulting in savings of more than £30,000 and the 2009 VfM exercise netting an additional £65,000 of savings in 2010/11 – resulting in insurance premium costs coming down £464,000 in 2003/4 to £209,718.58 in 2011/12, but will also provide a robust support system involving telephone, email and web based advise during a substantial change in contract management responsibilities.

Implications

- Financial:** The proposed contract will both provide further savings to meet the Council's efficiency targets and enable the Finance team to effectively take on the management of the contract.
- Comments checked by Karen Muir, Corporate System Accountant, 01295 221559
- Legal:** The tender process has met the requirements of the Council's Contract Procedure Rules and all EU Procurement Regulations.
- Comments checked by Liz Howlett, Head of Legal and Democratic Services 01295 221686
- Risk Management:** The risks are in line with those outlined in the Value for Money Review of Insurance approved by the Executive on 5 October 2009.

Wards Affected

All

Corporate Plan Themes

An Accessible, Value for Money Council

Executive Portfolio

Councillor JJ Macnamara
Portfolio Holder for Resources and Organisational Development

Document Information

Appendix No	Title
1 - EXEMPT	Insurance Cover Excess Proposal and Premium Price Comparisons
Background Papers	
N/A	
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