

## **Report to the Cabinet**

**Report Reference: C-010-2015/16**

**Date of meeting: 11 June 2015**



**Epping Forest  
District Council**

**Portfolio: Finance**

**Subject: Tender for Insurance Policies**

**Responsible Officer: Bob Palmer (01992 564279)**

**Democratic Services Officer: Gary Woodhall (01992 564470)**

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### **Recommendations/Decisions Required:**

(1) To note the outcome of the tender exercise for the Council's insurance policies and enter into an agreement with Zurich Municipal for five years with an option to extend for a further two years; and

(2) That, pursuant to Overview and Scrutiny Rule 21 (Special Urgency), the Chairman of Council be requested to waive the call-in arrangements for this decision due to its urgency. Any delay would prejudice the Council's interests as there would be a gap between the expiry of the old policies and the commencement of the new policies leaving the Council uninsured for a short period.

### **Executive Summary:**

The Council is currently insured almost exclusively through Zurich Municipal (ZM), an arrangement that has been in place for many years. When the last long term agreement was tendered in 2010 this was through a collaborative procurement exercise, sponsored by the Regional Improvement and Efficiency Partnership (RIEP), with eleven other authorities. The outcome of this process was disappointing as the only insurer to quote for the whole portfolio was ZM and ZM were only prepared to enter contracts for the whole portfolio of covers. Therefore the Council had no choice other than to enter into a new agreement with ZM.

For this renewal the Council has conducted its own exercise, although given the specialised nature of insurance procurement it was necessary to first appoint a broker to assist with the process and to ensure the best possible response from the market. The Council obtained quotes from three brokers and selected Marsh Limited to assist with the procurement.

Tenders were returned on 26 May by four different insurance companies. Having evaluated the tenders the most economically advantageous tender has been submitted by ZM and this provides the Council with a significant saving.

### **Reasons for Proposed Decisions:**

Contract Standing Order C22 requires approval from either Council or Cabinet before any tender valued in excess of £1 million can be accepted.

### **Other Options for Action:**

The Council could let a number of individual contracts for different parts of the policy portfolio to different insurance companies. This has not been recommended as it would be more costly and less efficient.

## **Report:**

1. The current long term agreement with ZM expires at the end of June 2015. As insurance is a specialised area, and the value of the contract meant it was necessary to follow the EU Procurement Regulations, it was decided to appoint a broker to assist with the process. After obtaining tenders and interviewing three brokers the decision was made to appoint Marsh Limited.

2. Marsh advised that to maximise interest from the market the portfolio of policies should be broken down into different lots. This gave insurers the opportunity to bid for all of the policies or just those that they specialised in. The policies were broken down into four main lots with those then sub-divided into smaller lots to give a total of eleven bidding opportunities. As some insurers provide a substantial discount where all of their policies are taken a fifth lot was included which allowed tenderers to bid for all of the lots as a group.

3. The deadline for submitting tenders was noon on 26 May and tenders were received from four different companies. Tenders were then evaluated to determine the most economically advantageous outcome for the Council, with 60% of the marks being awarded for price and 40% for quality.

4. On an individual basis, ZM won eight lots, Risk Management Partners won two lots and Maven won one lot. This would have resulted in a total annual cost of £689,114 (inclusive of Insurance Premium Tax). ZM were the only company to bid for all of the policies together and offer a package discount. The bid from ZM for all the policies together was £687,813 per annum (inclusive of IPT).

5. As all of the quality assessments for ZM were satisfactory and the combined policy offer is cheaper than the use of individual lots it is recommended to enter into a new long term agreement with ZM. It is worth noting that if the individual lot basis is used there would be additional annual brokerage fees as some of the companies would not deal directly with the Council. Letting the policies to more than one company would also require additional staff time in administration and co-ordination.

## **Resource Implications:**

Analysis is still being conducted to split the total premium between amounts that are recharged externally and amounts that are paid by either the General Fund or HRA so savings for specific areas cannot be given yet. However, total premiums have reduced against current expenditure by approximately £125,000. This means there will be significant savings against the budget for 2015/16.

## **Legal and Governance Implications:**

The Council is required to maintain appropriate levels of insurance cover for its activities.

A waiver of call in arrangements is being requested as with this meeting taking place on 11 June there would not be time to resolve a call in before the current policies expire at the end of June.

## **Safer, Cleaner, Greener Implications:**

There are no environmental implications.

## **Consultation Undertaken:**

Marsh Limited were used as external brokers to support the procurement. Marsh have conducted their own separate analysis of the tenders and have confirmed that "the ZM package bid is the most competitive both in pricing and quality".

**Background Papers:**

Invitation to tender and tender submissions.

**Risk Management:**

Insurance is necessary to cover the risks associated with the Council's activities.

# Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

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<b>Date / Name</b>	<b>Summary of equality analysis</b>
29/05/15  Director of Resources	The report is to award a contract for insuring the Council's activities and relates to this process not the delivery of any particular service and so has no equality implications.