

REPORT TO: CITY GOVERNANCE COMMITTEE – 4 SEPTEMBER 2023

REPORT ON: PROVISION OF INSURANCE COVERS

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 236-2023

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide an update on the development of a sourcing strategy for the tender process for the Provision of Insurance Covers and to seek approval to commence a compliant tender process, leading to award of a contract/contracts.

2. RECOMMENDATIONS

2.1 It is recommended that the Committee

- Approves the commencing of a procurement exercise in respect of the project described, based on the sourcing strategy, summarised in this report
- Note that the outcome of the procurement exercise will be submitted to committee for final approval, prior to award of a contract to the successful bidder(s), following a tender process carried out in compliance with the Public Contracts (Scotland) Regulations of 2015.

3. FINANCIAL IMPLICATIONS

3.1 There is provision of £1.5 million for insurance premiums within service revenue budgets. From previous experience and market testing carried out, it is anticipated that insurance cover will be provided within this provision. However, it should be noted that this will be subject to competitive tendering.

4. DETAILS OF THE PROJECT BEING COMMISSIONED

4.1 The provision of high-quality insurance cover is an essential requirement for the management of risk and protection of the Council's assets. The insurance covers for the current contract include:

- Property;
- Motor;
- Public Liability, Employers Liability, Officials Indemnity and Professional Negligence;
- Fidelity Guarantee;
- Personal Accident;
- Engineering Inspection;
- Marine; and
- Fine Art.

The property insurance is the largest component of the contract covering all Dundee City Council properties. Cover is currently based on an excess of £1m but we will seek to review any variations/alternative options to this based on the advice of our broker.

A full review of the Council's insurance portfolio is underway, and the objective is to have appropriate insurance cover in place for a period of 5 years, plus 1 year, plus 1 year.

- 4.2 Specifying insurance cover and evaluating competing bids in this market is very specialised, and therefore the Council has appointed a broker, Marsh Ltd, to undertake this work on our behalf.

Insurance companies will only provide fixed costs for a single year, as the premium set is dependent to some extent on the previous year's claims experience. A higher than normal frequency of claims will see the premium increase as the insurance provider manages risk. The Council wishes to let a 5-year contract (+1 year, +1 year), and in doing this will seek a long-term agreement from the companies who are bidding. While not providing a fixed premium, this will ensure that the premium only varies with claims, or the value and number of assets for which the Council is seeking cover.

The Broker is able to access broker-only markets, which will enable best price to be obtained.

- 4.3 Community Benefit requirement will be based on the value of spend incurred in the contract and could include a range of activities including delivering community wishes, work placement or talks with schools, colleges or universities. This will be a good candidate for inclusion in new 'community wishes' approach which is currently under development and further details will be shared with members in due course.

5. SOURCING STRATEGY SUMMARY

- 5.1 There are a limited number of insurance companies who provide cover for public sector organisations but the market is very competitive between that group.

As some companies will only provide specialist insurance, the tender will be lotted to allow those companies just to bid for the areas they are prepared to bid for. This means that the Council may award to more than one insurer. While this will result in more work to manage the contract, the cost of this will be more than offset by the increased level of participation from those specialist suppliers.

Engineering Inspection was awarded to Zurich following a mini competition in 2022. Savings were realised on award, but Marsh Ltd has recommended that we direct-award to Zurich for this element of the contract – for a number of reasons: we are unlikely to achieve any more savings at this time; the amount of work required to change provider; the insurance market does not view frequent changes to engineering inspection providers in a favourable light.

- 5.2 Having a Broker onboard to assist with the development of the requirement and the tender evaluation process will bring efficiency and financial benefit to the procurement.

In addition, it is expected that the competition will result in competitive rates.

6. RISK ANALYSIS

- 6.1 There are four standard risks in any procurement and for public sector regulated

procurements, a fifth is added, that of the procurement exercise itself breaching the public contract regulations and leaving the Council open to a legal challenge.

Description of Risk	Actions to be taken to manage Risk
<p>Commercial Risk – That either the price objectives are not achieved up front or there are other costs that arise during the contract and diminish the overall benefits.</p>	<p>Require insurance to be in place by 30 December. It is a statutory requirement to have certain insurance covers in place. The Council's requirements have been placed in several lots to allow specialist providers to take part. It is intended to use the successful companies' expertise in providing advice and undertaking audit of current practices to reduce the risk of claims affecting costs during the contract term.</p>
<p>Technical Risk – This concerns the difficulty in being able to specify the desired outcome and on the market being unable to deliver to the specification</p>	<p>DCC has appointed a broker, Marsh Ltd, to assist in the procurement exercise. Marsh Ltd has a public sector dept, so has extensive experience in dealing with public sector procurement exercises. Limited number of companies who deal direct rather than through a broker. Broker will be required for more specialised requirements. Broker will have access to broker-only markets which will ensure best price is obtained.</p>
<p>Performance Risk – This concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits</p>	<p>This risk is limited by the nature of the contract terms, by which it is in the providers' financial interest to maintain focus for the duration of the contract. Regular review meetings required over the period of the contract to ensure KPIs are met.</p>
<p>Contractual Risk – Being able to remedy the shortcomings in the contractor's performance without severely damaging the contract and about avoiding reliance on the contracted supplier as the contract develops.</p>	<p>Failure to award contract would have severe implications for DCC. The contract itself contains performance criteria. This will be managed by the Council through regular supplier meetings. The Council will be supported by the broker where necessary.</p>
<p>Procurement Risk – where a procurement is found unsound in law, through the public procurement rules</p>	<p>By appointing a broker to assist with the procurement exercise will hopefully mitigate risk of challenge, although the Insurance industry has changed over recent years and is more litigious. The Council will use a recognised framework agreement and use internal professional skills as well as relying on the broker's industry knowledge.</p>

7. CONCLUSION

7.1 The re-tender of the requirement maximises the opportunity to secure value for money.

8. POLICY IMPLICATIONS

8.1 This report has been subject to the screening tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment.

9. CONSULTATION

9.1 The Council Leadership Team were consulted in the preparation of this report.

10. BACKGROUND PAPERS

10.1 None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

DATE 11 AUGUST 2023