

REPORT TO: CITY GOVERNANCE COMMITTEE – 4 DECEMBER 2023

REPORT ON: PROVISION OF INSURANCE COVERS

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 341-2023

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to provide an update on the tender process per report 236-2023 for the Provision of Insurance Covers and to seek final approval for the award of contracts, for the 2024-2031 Insured and Self-Insured arrangements.

2. RECOMMENDATIONS

- 2.1. It is recommended that the Committee:

- notes the outcome of the procurement exercise summarised in this report.
- approves the award of the contracts to various insurers as detailed at paragraph 4.3.
- delegates authority to Executive Director of Corporate Services to award contracts for Engineering Inspection, Fine Art, Marine and Personal Accident Insurance.
- notes that a report will come back to members for approval after the third year of the contract detailing whether the contract is to be extended.

3. FINANCIAL IMPLICATIONS

- 3.1. The results of the tender exercise represent a total increase in the cost of the insurance premiums in the region of £663,000 per annum that will require to be reflected in future Revenue Budgets.

4. DETAILS OF THE PROCUREMENT EXERCISE

- 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, Professional Negligence and Hirers Liability;
- Fidelity Guarantee;
- Personal Accident;
- Engineering Inspection;
- Marine; and
- Fine Art.

Property insurance is the largest component of the contract covering all Dundee City Council properties. A full review of all insurance covers was undertaken and a number of areas identified for enhancing the insurance cover and reducing the Council's risk exposure.

- 4.2. Specifying insurance cover and evaluating competing bids in this market is very specialised, and the Council has worked with our insurance broker, Marsh Ltd, to undertake this work on our behalf. The Council had intended to let a contract for five years with the option to extend for one year then a further one year per the sourcing strategy summary previously considered by City Governance Committee on 4 September 2023 (Report 236-2023 refers). However, due to current conditions within the insurance market, insurers can only offer long term agreements in the format of a 3 year contract with the option to extend for a period of two years then a further two years. Each of the tenders submitted are for a period of three years, with the option to extend for two years then a further two years.

A full evaluation of all bids has been conducted based on combined scores for Price (40%) and Quality (60%). The procurement exercise was split into three different lots in respect of each of the insurance covers:

Lot 1: Property	Property, Business Interruption, Contractors All Risks, Money, Computer
Lot 2: Liabilities	Public Liability, Employers Liability, Officials Indemnity, Professional Negligence, Hirers Liability and Fidelity Guarantee
Lot 3: Motor	Fleet and Leased vehicle insurance

- 4.3. There were three companies who submitted a response for selected lots. These are summarised in the tables and paragraphs below:

Bidder	Lots bid for
Zurich Municipal	1, 2 and 3
Travellers	1 and 3
Maven Public Sector	2 and 3

Bidder	Lot	Quality 60%	Price 40%	Overall Score	Price
Zurich Municipal	1: Property	46.55	36.10	82.65	£1,727,107
Travellers	1: Property	51.31	40.00	91.31	£1,561,131
Zurich Municipal	2: Casualty/Liability	56.60	40.00	96.60	£271,368
Maven Public Sector	2: Casualty/Liability	55.79	24.70	80.49	£439,635
Zurich Municipal	3: Motor	59.30	40.00	89.30	£175,769

Travellers	3: Motor	51.06	34.60	85.66	£202,975
Maven Public Sector	3: Motor	53.43	35.30	88.73	£199,430

The evaluation outcome was that Travellers was the preferred bidder for Lot 1 Property.

In respect of Lots 2 and 3, Zurich Municipal was the preferred bidder.

It is proposed that Engineering Inspection is to be direct awarded to incumbent insurance provider, Zurich Municipal, as noted in the sourcing strategy summary previously considered by City Governance Committee on 4 September 2023 (Report 236-2023 refers).

5. SUMMARY OF APPROACH

5.1. As part of the tender exercise and through working with Marsh Ltd, improvements have been made to the insurance portfolio. In particular:

- indexation increases of 10% for the sums assured across the insurance portfolio;
- council housing valuations have increased;
- vehicle accumulation added to the policy for various depots including vehicles stored at Marchbanks Depot;
- inclusion of specific plant and equipment held at Riverside Recycling Centre;
- improved coverage for items under the Computer Policy;
- limit of indemnity in respect of liabilities has been static since 2015 and it has now been increased from £40 million to £50 million.

5.2. These improvements have resulted in a significant increase in property insurance premiums due to a hardening of the property insurance market and claims inflation which remains the largest driver of increased insurance premiums across all sectors of insurance.

5.3. In addition, specific factors which have impacted on our property insurance have been the recent West End Campus fire together with the claim for Braeview Academy, which remains on our previous claims experience history.

5.4. It should be noted that the proposed new insurer for property has advised that there is a low claims rebate available on the premium if we have no large losses in the next policy year. This works out as a potential reduction in premium of £54,639 per annum. In addition, if our loss ratio remains under 30% we will also benefit from a rate guarantee at next renewal.

6. OTHER INSURANCE COVERS

6.1. Engineering Inspection is proposed to be awarded to Zurich, the incumbent provider for insurer. Our broker, Marsh Limited, has recommended a 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.

6.2. The Fine Art, Marine and Personal Accident insurances are being procured via the specialist sub broker market in conjunction with our broker, Marsh. This will maximise the opportunity to secure value for money for these specialist insurances that cannot be provided by the main insurance providers.

7. POLICY IMPLICATIONS

7.1. 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.

8. CONSULTATION

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

9. BACKGROUND PAPERS

9.1. None

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

DATE: 4 DECEMBER 2023

APPENDIX 1: GLOSSARY OF INSURANCE COVERS

Lot 1: Property

Material Damage: physical loss or destruction to property or contents. Excess £1 million with an annual aggregate limit of £5 million. This would be the maximum the Council would be responsible for in any policy year.

Industrial and Commercial: buildings owned by DCC but leased to commercial tenants. Excess £25,000.

Business Interruption: covers increased cost of working/loss of revenue as a result of an unplanned event or disaster. Excess £100,000.

Contract Works: cover for works when refurbishment work is being carried out to an existing building. Excess £100,000.

Money: loss of money in safes or in the custody or control of staff or security company. Excess nil.

Computer: cover for computer equipment including reinstatement of data. Excess £25,000.

Specified All Risks: cover for foster carers property and specified plant at Riverside Recycling Centre. Excess £100.

Lot 2: Liabilities

Public Liability: covers the cost of claims made by members of the public for incidents which occur in connection with our business activities. Excess £250,000.

Employers Liability: covers the costs of employee claims for illness or injury caused by their work due to the Council's negligence. Excess £250,000.

Officials Indemnity: covers the cost of claims made against the Council for alleged wrongful acts. Excess £30,000.

Professional Negligence: covers the cost of compensating clients/companies for loss or damage resulting from negligent services or advice provided by the Council. Excess £30,000.

Hirers Liability: cover for hire of our premises to individuals/groups who do not hold their own public liability insurance. Excess £100.

Fidelity Guarantee: cover for the Council in the event of theft of money/property by an employee/contractor or volunteer. Excess £30,000.

Lot 3: Motor

Fleet insurance: cover for all fleet vehicles. Third Party Excess £50,000. Fully comprehensive cover for vehicles valued at £150k and above, excess £50,000.

Leased vehicle insurance: cover for vehicles leased to employees. Third Party cover £50,000 excess.

Other insurances

Personal Accident and Travel: cover for employees and elected members in the event of accidental death or specified injury and or loss of property whilst on Council business. Excess nil.

School Journey: cover for pupils and staff when travelling on school trips within and outwith the UK. Excess £100.

Marine: cover for Ancrum Outdoor Centre for the marine craft: kayaks, canoes, dinghies and rowing boats. Excess £150.

Fine Art: insurance for the physical loss or damage to paintings, antiques and collectibles for all transit and static risks. Excess £10000.

Engineering Inspection: it is a legal requirement for many types of plant and machinery to be inspected on a regular basis and this insurance ensures that the Council is compliant with all regulations. No excess.