

## **Report to the Cabinet**

**Report Reference: C-010-2012/13**

**Date of meeting: 23 July 2012**



**Epping Forest  
District Council**

**Portfolio: Finance and Technology**

**Subject: Extension of Insurance Contract**

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

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

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

**(1) To exercise the option of a two year extension on the current three year agreement with Zurich Municipal for the Council's insurance policies.**

### **Executive Summary:**

The Council is currently insured almost exclusively through Zurich Municipal (ZM), an arrangement that has been in place for many years. In 2010 the Council participated in 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.

The contract was let for three years with an option to extend for a further two. The third year of the contract has now commenced and it is recommended that the two year extension option is exercised.

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

Contract Standing Order C20 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 conduct a fresh tendering exercise but market intelligence suggests this would be unlikely to produce a better outcome than that being offered by ZM.

### **Report:**

1. On 6 June 2005 Cabinet agreed to enter into a five year contract for insurance cover with ZM. The tender exercise in 2005 had been conducted with help from a broker, AON, and so in anticipation of a new tender a process to engage a broker had begun in September 2009. Before a broker had been appointed the Council was contacted by the RIEP and asked to participate in a collaborative procurement exercise. It was hoped that the combined size of the authorities in this exercise would generate wide interest from the insurance market and produce savings. To conduct this exercise the RIEP appointed a specialist insurance consultancy called The Risk Factor (TRF). The exercise was hosted by St Edmundsbury Council and also involved, Braintree, Chelmsford, Forest Heath, Great Yarmouth, Luton, North Norfolk, Rochford, South Holland, South Norfolk and West Lindsey Councils.

2. TRF ran the tender process, with the OJEU notice being published on 20 November and tenders returned on 10 February. Responses were then analysed and a number of suppliers made presentations and clarifications in early March. Based on an initial analysis of the responses TRF recommended awarding the policies for engineering, computers and contractors to HSB Engineering Insurance, the policy for personal accident to ACE Europe, engineering inspections to Bureau Veritas and all other policies to ZM.

3. Following the clarifications it became clear that ZM would only offer complete portfolio packages and were not prepared to offer cover for individual policy areas. As ZM were the only provider to quote for the key areas of Employer's Liability and Public Liability, TRF were forced to amend their recommendation as a split portfolio could not be achieved.

4. ZM had offered additional discount worth approximately £30,000 per year for the Council to enter into a five year agreement, rather than a three year one with an option to extend for a further two years. However, the Official Journal of the European Union (OJEU) notice published by the RIEP's consultants stated that the extension option cannot be exercised until year three. The Council did not pursue this option as it could have been challenged due to the contract being awarded on a different basis to that on which it had been advertised. Although the risks of challenge were small, given the level of spend on insurance if a Court had found in favour of any challenger the penalties would run into hundreds of thousands of pounds.

#### Market Intelligence

5. Market intelligence suggests there are fewer insurance companies interested in the local authority market and those that remain interested are increasing premiums. This view is supported by the recent experience of another Essex district council. The authority in question recently undertook a tender for its insurance policies and invited seven companies to bid. Only ZM and two other companies returned bids, with one of the companies being nearly twice as expensive as ZM and the other being a third more expensive than ZM. The business was awarded to ZM but the premiums offered represented an increase of approximately 10%.

6. The Director of Finance & ICT has discussed the extension option with the Council's relationship manager at ZM and has been offered terms that represent good value for money and may not be bettered by a tendering exercise. If the Council decides to exercise the two year extension option, ZM have offered a rebate of £5,000 against the 2012/13 premiums to hold them in total at the 2011/12 level and will hold premiums for 2013/14 at this level too.

#### **Resource Implications:**

If Members decide that a tendering exercise should be undertaken additional funds will be needed to employ an insurance broker to assist with the exercise.

Annually the Council pays approximately £700,000 for its insurance policies, although around £100,000 of this is recharged to third parties.

#### **Legal and Governance Implications:**

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

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

There are no environmental implications.

#### **Consultation Undertaken:**

One other Essex authority which has recently tendered for insurance.

**Background Papers:**

None.

**Impact Assessments:**

Risk Management

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

Market intelligence suggests that the deal currently being offered by ZM is unlikely to be improved upon. However, it is possible that a tender exercise might result in lower premiums.

Equality and Diversity

*Did the initial assessment of the proposals contained in this report for relevance to the Council’s general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?*  
N/A.

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*  
N/A.