

CABINET
4 JANUARY 2018

INSURANCE SERVICES CONTRACT AWARD

Cabinet Member: Cllr Peter Hare-Scott
Responsible Officer: Andrew Jarrett, Director of Finance, Assets and Resources

Reason for Report: To advise Members on the results of the procurement of insurance services.

RECOMMENDATION: It is recommended that contracts be awarded as follows for a period of 3 years with the option to extend for a further 2 plus 2 years:

Supplier 4: Lots 1 and 2

Supplier 1: Lot 3

Supplier 3: Lots 4 and 5

Relationship to Corporate Plan: The award of this contract will support the overarching priority within the corporate plan for efficiencies and value for money through the savings outlined below.

Financial Implications: The award of this contract will realise a £47,402.51 saving against existing premium and a £53,500 saving against budget.

Legal Implications: An agreed set of call-off terms had already been agreed through the framework and therefore the risk of contractual / legal issue is low.

Risk Assessment: The risks are identified within the report at 6.0.

Equality Impact: No equality issues identified for this report.

1.0 INTRODUCTION

1.1 Mid Devon District Council has procured a new contract for Insurance Services. South Hams District Council led the procurement on behalf of them, West Devon Borough Council, Teignbridge District Council and Mid Devon District Council.

1.2 All four councils signed a Memorandum of Understanding in October 2017 agreeing to collaborate on the procurement for insurance services.

2.0 BACKGROUND

2.1 The council's current Insurance contract with Zurich Municipal expires on 31st March 2018.

2.2 Portmore Insurance Brokers Ltd were appointed by the Councils via the direct award process under lot 2 of the Crown Commercial Services (CCS)

framework RM3731 to support the councils in the tender for insurance services. The role of Portmore was to:

- Provide advice and support to the four councils
- To prepare appropriate documentation for the tender and renewal process for the provision of insurances
- To support the councils in obtaining value for money through the tender and renewals process

2.3 The total costs of £4,000 for the above service were shared equally between the four councils at £1,000 each.

3.0 THE PROCUREMENT PROCESS

3.1 The procurement was conducted using a further competition under lot 1 of the Crown Commercial Services framework RM3731 for Insurance Services II, which has 26 approved framework insurers.

3.2 Out of the 26 approved framework suppliers only one of those is able to deal directly with customers (Zurich), the rest of the insurers require the services of a broker to liaise with the customer.

3.3 The intention is for each council to let a contract for three years with the option to extend for a further two plus two years. The total contract value (including extension options) was estimated at £9.9million excluding VAT for the four councils.

3.4 The Invitation to Tender (ITT) for insurance services was split into the following lots.

- Lot 1: Property Damage, Business Interruption, Works in Progress, Money and Computers
- Lot 2: Employers' Liability, Public & Products Liability, Libel & Slander, Professional Negligence and Officials Indemnity including Land Charges, Employment Practice Liability and Fidelity Guarantee.
- Lot 3: Engineering Inspection / Insurance
- Lot 4: Motor Fleet
- Lot 5: Travel Including Personal Accident
- Lot 6: Terrorism
- Lot 7: Cyber Liability

3.5 Tenders were sought on an individual lot basis however packaging of lots was allowed so the councils could take advantage of discounts offered; no Lot was reliant on the acceptance of another.

3.6 Suppliers were able to tender for any lot or could also submit a combination tender covering more than one (or all) lots. Each tender had to include an individual price for each council within each lot.

4.0 TENDER STAGE

4.1 Portmore released the tender documents to the approved framework suppliers on the 20th October. Submissions were received on the 23rd November as follows:

| Tenderer | Lot 1 | Lot 2 | Lot 3 | Lot 4 | Lot 5 | Lot 6 | Lot 7 |
|------------|-------|-------|-------|-------|-------|-------|-------|
| Supplier 1 | | | x | | | | |
| Supplier 2 | x | | | | | x | |
| Supplier 3 | | x | | x | x | | |
| Supplier 4 | x | x | | x | | x | |
| Supplier 5 | x | x | x | x | x | x | |
| Supplier 6 | | | | | x | | |
| Supplier 7 | | | | x | | | |
| Supplier 8 | | | | | | x | |

4.2 No submissions were received for cyber liability under lot 7 and further consideration will need to be given as to whether they are subject to a separate procurement process.

4.3 In addition to obtaining tenders from the approved suppliers for Terrorism under lot 6, on the basis of 'pool re', under the terms of the framework, Portmore were able to obtain a quotation outside of the framework on the basis of 'first loss limit' from Supplier 8.

5.0 SUMMARY OF TENDER EVALUATION

Evaluation Criteria and Weightings

5.1 Any contract will be awarded on the basis of the most economically advantageous tender. The award criteria contained a mix of quality and commercial considerations.

5.2 The high level award criteria and weightings used for this procurement are set out below:

- Price 55%

Scope of Cover

- Insurer policy wordings and cover clauses 25%
- Added value 8%
- Claims handling processes and methodology 12%

Scoring Methodology

5.3 The scoring methodology used to evaluate the quality criteria was:

| Response | Score | Definition |
|--------------|-------|---|
| Unacceptable | 0 | Nil or inadequate response. Fails to demonstrate an ability to meet the requirement. |
| Poor | 2 | Response is partially relevant and poor. The response addresses some elements of the requirements but contains insufficient/limited detail or explanation to demonstrate how the requirements will be fulfilled |
| Satisfactory | 5 | Response is relevant and acceptable. The response addresses a broad understanding of the requirements but may lack details on how the requirement will be fulfilled in certain areas. |
| Good | 8 | Response is relevant and good. The response is sufficiently detailed to demonstrate a good understanding and provides details on how the requirements will be fulfilled. |
| Excellent | 10 | Response is completely relevant and excellent overall. The response is comprehensive, unambiguous and demonstrates a thorough understanding of the requirement and provides details of how the requirement will be met in full. |

5.4 The scoring methodology used to evaluate price was:

Per lot - Lowest price tendered from all Tenders receives maximum % score (55%).

Other Tenderers' prices are scored in accordance with the following equation:

$$\% \text{ Score} = \frac{\text{Lowest Tender price}}{\text{Tenderer's price}} \times 55$$

Pricing

5.5 Recommended best value premium options per council – Inclusive of Insurance Premium Tax (IPT) at 12%:

| Item | Price £ |
|-------|-----------|
| Lot 1 | 69,766.70 |
| Lot 2 | 85,468.32 |
| Lot 3 | 6,533.65 |

| | |
|---------------------------------------|-------------------|
| Lot 4 | 58,240.00 |
| Lot 5 | 2128.26 |
| Total | 222,136.93 |
| Last year's total based on IPT at 10% | 269,539.44 |
| Savings against 2017/18 premium | 47,402.51 |
| Savings against 2017/18 budget | 53,500.00 |

Scores and ranking

5.6 Summary tables set out below reflect the overall weighted scores:

| Lot | Supplier 4 | Supplier 5 | Supplier 3 | Supplier 1 | Supplier 7 | Supplier 6 | Supplier 8 |
|-----|------------|------------|------------|------------|------------|------------|------------|
| 1 | 83.90 | 28.15 | | | | | |
| 2 | 81.50 | 63.32 | 51.83 | | | | |
| 3 | | 61.31 | | 82.90 | | | |
| 4 | 73.14 | 66.30 | 79.60 | | 72.07 | | |
| 5 | | 72.37 | 79.60 | | | 34.82 | |

6.0 PROJECT RISKS

6.1 Service

Current arrangements have been directly with the insurer. With the new contracts, the services of a broker will be required. Given that the number of insurers that the Council will deal with has increased, careful management will be needed to ensure any resource implications are captured.

6.2 Brokerage

The council will need to appoint a broker for ongoing brokerage services for the duration of the contract period. During January 2018, MDDC intends to go back to market under lot 1 of the Crown Commercial Services (CCS) framework RM3731 to procure brokerage services. It is not anticipated that this will attract any additional cost as the brokerage fees, set at 3.5% within the framework, are included in the premium costs above.

6.3 Commercial

Insurance Premium Tax (IPT) is a tax on general insurance premiums. In October 2016 the rate increased from 9.5% to 10% and from the 1st June 2017 the rate increased to 12%. Further increases may be expected through the contract period although this is out of our control.

7.0 CONCLUSION

7.1 The outcome of the tender process shows the following suppliers as the winning bidder on their respective lots:

Supplier 4: Lots 1 and 2

Supplier 1: Lot 3

Supplier 3: Lots 4 and 5

7.2 Approval is required from Cabinet for this contract to be formally awarded.

7.3 Following the decision, there will be a compulsory 10 day standstill period after which the contract will be awarded.

7.4 The contract will commence on 1st April 2018.

| | |
|--------------------------------------|--|
| Contact for more Information: | Chanelle Busby, Claire Gillard, Lynette Wright |
| Background papers: | None |
| File reference | None |
| Circulation of the Report: | All LT, Legal, Finance |