



Report of: Financial & Asset Management Business Manager



To: Executive Board


Date: 13th August 2007

Item No:

Title of Report : Award of Contract for Insurance Services




Summary and Recommendations




Purpose of report: To request project approval and permission to award a contract to provide all insurance policies to Oxford City Council 



decision: Yes


Portfolio Holder: Councillor Jim Campbell, Better Finances


Scrutiny Responsibility: Finance Scrutiny Committee



Board(s) affected: All


Report Approved by:

Cynthia Gardner, Finance & Asset Management
Councillor Jim Campbell, Better Finances

Deborah Cane, Legal & Democratic Services



Policy Framework: Oxford City Council Corporate Plan

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• Be an effective and responsive organisation, providing value for money services.


Recommendation(s): That the Executive Board agrees to:

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1. grant project approval for the provision of all insurance policies for the Council.


award the contract to Zurich Municipal Plc to provide this service for 3 years starting on 1st October 2007 with an option to extend for up to 2 further years.



Background

1. The Council currently has insurance services that cover all policy areas, this contract expires on the 30th September.
2. The current service covers the following policy areas:
 - Property
 - Material Damage
 - Business Interruption
 - Money
 - All Risks
 - Property Owners
 - Casualty
 - Officials Indemnity
 - Employers Liability
 - Libel & Slander
 - Public Liability
 - Motor
 - Motor Vehicles
 - Engineering
 - Engineering cover
 - Additional Covers
 - Fidelity Guarantee
 - Land Charges
 - Personal Accident
 - Public Health Act
 - Travel
 - Computer
 - Standalone Covers
 - Contractors Plant
 - Engineering inspection
3. The current policies are held with Zurich Municipal and St Paul Travellers. St Paul Travellers currently cover our Property and, Personal Accident covers, and Zurich provide all other covers.

Tender Process and Evaluation

4. An advertisement was placed in the local press, Oxford City Council's website and the trade journal "Insurance Times". A further advertisement was placed on OJEU (Official Journal of the European Union) in accordance with the EU Procurement regime.
5. Although the insurance market is notoriously limited within the local authority environment we received 15 expressions of interest, which resulted in 8 being completed and returned.
6. Three tenderers met the evaluation criteria and were invited for interview. The evaluation panel considered a wide range of criteria including assisting the authority with strategic risk, claims handling procedures and service standards as well as the price.

7. The panel unanimously agreed to recommend that the Council award the Insurance Services Contract to the tenderer that scored the highest marks. This tenderer is Zurich Municipal.
8. A list of the key points that Zurich Municipal can provide includes:
 - Meet individual needs and priorities
 - Work in partnership with the council
 - Deal direct with the council
 - Provide efficient and cost effective services
 - Help attain best value
 - A high financial rating for claims paying ability
 - Exclusive focus on the public sector
 - Help the council manage risk and minimise losses
 - A range of useful publications about risk
 - Appoint a highly experienced team
 - Implementation of loss control recommendations to keep premiums down
 - A full policy to reflect all of our needs
 - Provision of clear data and settlement information
 - Ensuring claims are handled and funded properly
 - Development of comprehensive range of risk management services for the public sector
 - Assistance with management of risk in line with changes in corporate governance
9. The contract will contain break clauses that allow the Council to terminate or transfer the contract if there is a change in the management of Insurance Services.

Other Options

10. The Constitution and Procurement Strategy advises that the Executive Board considers what other options are available before giving project approval and awarding a contract over 100K. These are detailed below.
11. **Set up a partnership with other Local Authorities**
The procurement team looked into this as an option for continuing our insurance cover, but this didn't prove to be something that would currently work due to other Local Authorities having different timescales, although we can try to look to bring these timings in line for future tenders.
12. **South East Centre of Excellence**
The SECE are looking to start a project to open up the insurance market for local authorities as this is currently restricted, unfortunately the timings of this project did not fit with ours.

13. **Use of multiple suppliers**

Our current insurance contract is split between more than one supplier of these services, this was always considered to be an option throughout the tendering process but a decision was made to choose one supplier, the advantages of this are explained in section 4

Benefits of this contract

14. The award of this contract will mean one supplier and therefore an easy to manage contract, with set up meetings and contract review meetings with only one supplier. This will mean less officer time taken up liaising with suppliers, and a better relationship can be built with them.
15. Zurich Municipal specialise in providing risk management and insurance services for the public sector, and are part of a global group with high financial ratings for claims paying ability. Zurich will aim to help us reduce our level of accidents and incidents in order for us to face fewer claims, and help us work towards lower premiums and to ensure Best Value is attained. The basis of this work is the partnership way of working that they are offering to us.
16. Zurich had reviewed our latest audit letter and identified that risk management and value for money were key issues for the authority, and they are willing to work with us to improve our risk management and other key areas to improve our CPA and use of resources scores.
17. The approach for Zurich is to work closely with the council and to fit into our ways of working, and some of the areas of flexibility will include site visits to advise on risk management issues.
18. Zurich are offering an additional Risk Management service to that normally provided with the insurance contract. This service consists of £10,000 worth of risk management time each year to be spent as the council wishes. A further report will be taken to SMB to discuss the options on ways to utilise this time in the first year of the contract.
19. As the insurance market is currently competitive this has meant financial savings have also been made in this contract. These are shown in more details in section 5.

Financial Implications

20. This proposed contract has an annual cost of £505,677, this is almost a 20% saving on our previous years costs of £629,970. In addition Zurich have also offered a £50,000 saving in year one for our continued business. A breakdown of these costs can be found in Appendix 1.
21. In April 2007 we commissioned an actuarial review of our self-insurance fund. The actuaries calculated a reserve for claims to 30th September 2007, the end of the existing contract period. The latest

estimate of the balance on the self-insurance fund to 30th September 2007 shows a potential shortfall of £116,000.

- a. If we appoint this contract to Zurich we can make savings of around £150,000 in the first year. It would be prudent for this saving to be added to our Self Insurance fund to help towards the potential shortfall that the actuarial review has highlighted, particularly in light of the recent floods in the city.

Legal Implications

22. There are no legal implications as this contract has been tendered in accordance with the EU procurement regime.

Staffing Implications

23. There are no staffing implications in respect of this report.

Other means of achieving this objective

24. Other means of achieving this objective are explained in paragraph 3.

Recommendation

That the Executive Board agrees to:

1. grant project approval for the provision of all insurance policies for the Council.
2. award the contract to Zurich Municipal Plc to provide this service for 3 years starting on 1st October 2007 with an option to extend for up to 2 further years.

Appendices

Appendix 1 – Financial Summary

Appendix 2 – Tender Scores – Zurich are tender number 9

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Background pages: Not applicable.

Cover	Annual Premium	Previous year premium	% saving on previous year premiums
Property			
Material Damage	78,177.18	178,152.06	
Business Interruption	7,540.92	7,844.36	
Money	2,613.34		
All Risks	12,166.88		
Property Owners	54,406.21		
Property sub total	154,904.53	185,996.42	16.7%
Casualty			
Officials Indemnity	8,485.46	8,932.07	
Employers Liability	66,769.69	95,069.35	
Libel & Slander	2,407.64	4,574.21	
Public Liability	52,556.00	83,448.39	
Casualty sub total	130,218.79	192,024.02	32.2%
Motor			
Motor Vehicles	156,737.84	188,372.16	
Motor sub total	156,737.84	188,372.16	16.8%
Engineering			
Engineering Insurance	3,553.20	2,994.61	
Engineering sub total	3,553.20	2,994.61	-18.7%
Additional Covers			
Fidelity Guarantee	6,254.16	9,510.35	
Land Charges	9,707.13	5,873.04	
Personal Accident	9,930.81	10,000.00	
Public Health Act	704.68	1,143.24	
Travel	213.75		
Computer	3,864.60	4,574.45	
Additional sub total	30,675.13	31,101.08	1.4%
Standalone covers			
Contractors Plant	250.00		
Engineering Inspection	29,337.93	29,482.49	
Standalone sub total	29,587.93	29,482.49	-0.4%
Total Premium payable	505,677.42	629,970.78	19.7%
Discount - Year 1 only	-50,000.00		

Summary of premiums payable	
Year 1	455,677.42
Year 2	505,677.42
Year 3	505,677.42
option to extend - if taken	