

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Meeting:	3 March 2009
Report by:	Executive Director (Finance and Information Technology Resources)

Subject:	Insurance and Claims Handling Contracts Tender Exercise
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Advise of the outcome of the tender exercise for the Council's main insurance and claims handling contracts.

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the decision made by the Executive Director (Finance and IT Resources) in consultation with the Chair of the Finance and IT Committee to place contracts for insurance and claims handling (all covers excluding travel) with Risk Management Partners (AIG – insurer/Gallagher Bassett – claims handler); and with ACE European Ltd (travel insurance), be noted.

3. Background

3.1. The main insurance policies shown in table one below are due for renewal on 1 April 2009.

Table one – Existing insurance policies

Insurance class	Current provider	Contract start date	Contract expiry date (including extensions)
Combined liability/motor and claims handling	Risk Management Partners (RMP)/AIG Gallagher Bassett (claims handler)	1 April 2004	31 March 2009
Property, terrorism and associated policies	RMP/AIG	1 April 2005	31 March 2009
Fidelity guarantee	RMP/AIG	1 April 2005	31 March 2009
Travel (education excursions/business travel)	ACE European Ltd (ACE)	1 April 2005	31 March 2009

- 3.2. Taking account of Committee dates in early 2009 and to allow time to manage any potential change of insurers, the Finance and Information Technology Resources Committee at their meeting in December 2008, granted delegated authority for the Executive Director (Finance and Information Technology Resources) in consultation with the Chair of the Finance and Information Technology Resources Committee to approve the most satisfactory offers.
- 3.3. A briefing paper outlining the most advantageous offers was presented to the Chair of the Finance and IT Committee on 23 January 2009.
- 3.4. The recommendations contained within the briefing paper to award the contracts to RMP/AIG and ACE were approved by the Chair of the Finance and Information Technology Resources Committee on 26 January 2009.

4. Tender process

- 4.1. In November 2008, an approach was made to the insurance market, by placing an advert in the Official Journal of the European Union (OJEU). This was done via the Council's e-procurement system, Delta.
- 4.2. Responses were received from five prospective insurers on 22 December 2008. Insurers quoted for either individual or for all the insurance policies detailed in table one, for a contract period of up to five years.

5. Tender evaluations/Recommendations

- 5.1. Three separate tender evaluations were carried out, two by the Council's risk management team and the other by the Council's insurance broker, Willis Ltd.
- 5.2. It was possible to group covers from a number of varying insurers in order to compare against the total package options that were offered by Zurich Municipal and RMP/AIG. Following evaluations of the individual covers provided by the insurers, a mixed group with liability cover being provided by Travellers, motor cover with Zurich Municipal and property cover with RMP/AIG emerged as the most competitive grouping.
- 5.3. The above mentioned combined group was evaluated against the total packages offered by Zurich Municipal and RMP/AIG. These three options formed the basis of the most viable analysis and the combined scores for all three evaluations are shown in table two below:

Table two – Evaluation of three most viable options (excluding travel)

Option	Financial score	Quality score	Relationships score	Total score
RMP/AIG Gallagher Bassett (claims handler) – all covers	38	26	14	78
<u>Mixed Option</u> Travellers - liability TopMark -claims handler RMP/AIG – property Zurich Municipal – motor	39	20	12	71
Zurich Municipal – all covers	29	21	11	61

- 5.4. On the basis of the evaluation in table two, it was recommended to the Chair of the Finance and IT Committee that the main insurance policies (excluding travel) and claims handling contracts were awarded to RMP/AIG and Gallagher Bassett for a three year period commencing 1 April 2009, with the option to extend for a further two years. As per current insurance arrangements, an excess level of £100,000 will apply to all significant covers, and a £500,000 excess will apply for damage to Council property as a result of a flood or storm.
- 5.5. A separate evaluation for the travel policies was carried out. The total scores for the evaluations of the three tenders received are shown below in table three.

Table three – Evaluation of travel (business travel/education excursions)

Insurer	Financial score	Quality score	Relationships score	Total score
ACE	43	17	12	72
RMP/AIG	40	17	12	69
Zurich Municipal	37	14	10	61

- 5.6. ACE represented the most advantageous offer for travel. It was recommended to the Chair of the Finance and Information Technology Resources Committee that the policy for travel insurance is awarded to ACE for a five year period, commencing 1 April 2009.
- 6. Employee implications**
- 6.1. As part of the new contract arrangements the value of in house public liability property claims will increase from £200 to £300 on a pilot basis, which will be reviewed in April 2010. It is estimated that this will result in approximately 180 fewer claims being handled by the external claims handlers, Gallagher Bassett and will require a small increase in the number of hours dedicated to this task.
- 6.2. In the last two years, low value claims have increasingly been handled in-house, which saved the Council £13,700 in 2007/2008. The in-house repudiation rate is 59 per cent which compares very favourable with the overall rate for Gallagher Bassett of 48 per cent. Gallagher Bassett has supported the Council with this transition.
- 7. Financial implications**
- 7.1. The cost of insurance premiums and claims handling fees for the forthcoming year, 2009/2010, will be met from the Council's self insurance fund.
- 8. Other implications**
- 8.1. Award of the Council's insurance policies to Risk Management Partners/AIG (Insurer) carries a medium to high level of risk due to the lower creditworthiness ratings and profitability of AIG. Additional assurances and contingency intentions have been received from the contracting company, Risk Management Partners.
- 9. Equality impact assessment and consultation arrangements**
- 9.1. Equal opportunities and human rights were considered during preparation of the marketing presentation and tenderers were asked to supply relevant information which was considered during the selection process. There is no need at present to undertake an equalities impact assessment.
- 9.2. Consultation took place with the Executive Director (Finance and IT Resources) and the Chair of Finance and IT Resources Committee.

Linda Hardie
Executive Director (Finance and Information Technology Resources)

2 February 2009

Link(s) to Council Values and Objectives

- ◆ Value: Accountable effective and efficient

Previous References

- ◆ Report to Finance and IT Committee – 9 December 2008

List of Background Papers

- ◆ Briefing paper to Chair of Finance and IT Committee – 23 January 2009
- ◆ Tender responses/policy wordings
- ◆ SLC's financial evaluation spreadsheet
- ◆ SLC's comparison of covers spreadsheet
- ◆ SLC's overall evaluation scoring sheets
- ◆ Willis tender evaluation report
- ◆ Storm excess cost, benefit analysis

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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