

Report to Cabinet

17 March 2021

Subject:	Sandwell MBC Programme of Insurance
Cabinet Member:	Cabinet Member for Resources and Core Services Councillor Wasim Ali
Director:	Acting s151 Officer Rebecca Maher
Key Decision:	Yes
Contact Officer:	Finance Business Partner Narinder Phagura Narinder_phagura@sandwell.gov.uk

1 Recommendations

1.1 That approval be given:

- (a) To authorise the Acting s151 Officer to engage with the insurance market to review and agree the council's insurance policies/ contracts with a view to securing new Long Term Agreements (LTAs) commencing between the period from 1 October 2021 and 1 October 2022.
- (b) To authorise the Chief Executive and Acting s151 Officer to award contracts to the successful supplier(s) for the council's insurance programme for a period of up to three years with an option to extend for up to a further two years, following the procurement process.
- (c) For any necessary exemptions to be made to the council's Procurement and Contract Procedure Rules to enable the actions proposed above to proceed.








- (d) That in connection with the recommendations above, for the Director – Law and Governance and Monitoring Officer to enter into any relevant contract(s) to complete the renewal of the council’s insurance programme.

2 Reasons for Recommendations

- 2.1 The purpose of this report is to obtain approval for a compliant procurement process to be undertaken, to award various contracts (where appropriate), for the provision of insurance cover for periods ranging from a commencement date of 1 October 2021 to 1 October 2022 for periods of up to three years with an option to extend for up to a further two years. The purpose of the tender arises from various insurance policies and Long Term Agreements (LTAs) that will be expiring between 30 September 2021 and 30 September 2022 respectively.
- 2.2 As quotes and tenders from the insurance market are usually only valid for a short period of time, it is necessary to ensure that the evaluation process and award of contracts is completed within the relevant period. As a result, a recommendation seeking delegated authority and exemption from contract procedure rules where necessary, is also being sought.

3 How does this deliver objectives of the Corporate Plan?

	The programme of insurance provides cover for a range of risks including school property, libraries and other operational council buildings, computer cover and cover arising from any negligence and resulting injury to residents and visitors to Sandwell as well as the council’s workforce. The insurance programme therefore assists in mitigating risks and contributes to ensuring Strong resilient communities, thriving neighbourhoods, good start in life for children and young people and an accessible Sandwell.
	
	
	
	



4 Context and Key Issues

- 4.1 The council's programme of insurance includes a range of different policies with various insurers to ensure that the transfer of risk sits within the council's appetite for risk. Risk is spread across various insurers as all insurers do not have the same appetite for each risk category and will only tender for certain categories of risk, or place conditions on classes of risk that will only be covered if certain other classes are also awarded to them.
- 4.2 The majority of the programme of insurance is joint insurance for both the council and Sandwell Children's Trust (SCT).
- 4.3 The covers in place are predominantly for catastrophic loss, thereby meaning that a large part of the council's day to day claims fall within the self - insurance element where the risk falls to the council.
- 4.4 A summary of the key insurance policies is provided in the table below.

Policy / contract cover	Contract cover period
Property	1 October 2018 to 30 September 2021 with option to extend to 30 September 2023
Motor	1 October 2018 to 30 September 2021 with option to extend to 30 September 2023
Liability/ casualty	1 October 2018 to 30 September 2021 with option to extend to 30 September 2023
Fidelity Guarantee	1 October 2018 to 30 September 2021 with option to extend to 30 September 2023
Computer	1 October 2018 to 30 September 2021 with option to extend to 30 September 2023
Engineering	1 October 2019 to 30 September 2022 with option to extend to 30 September 2023
Travel	1 October 2018 to 30 September 2021 with option to extend to 30 September 2023
School journeys	1 October 2018 to 30 September 2021 with option to extend to 30 September 2023
Medical practice	1 October 2021 to 30 September 2022
Leasehold flats	1 April 2021 to 31 March 2024 with option to extend to 31 March 2026
Tenants contents	1 April 2018 to 31 March 2022



- 4.4 The majority of the current insurance policies run from the period 1 October to 30 September and were placed with insurers after undertaking a competitive tender process in line with the Council's Procurement and Contract Procedure Rules. The main tender process was undertaken in 2018 for Long Term Agreements (LTAs) to be awarded for a period of three years from 1 October 2018 to 30 September 2021, with an option to extend for a further two years.
- 4.5 The table above shows that the majority of insurance policies are procured as LTAs in order to secure better rates through the discounts that are available from insurers for entering into a longer agreement period. This also provides some certainty over premiums providing the LTAs are adhered to and not broken.
- 4.6 Despite having LTAs in place, the council's main insurer which underwrites the casualty/ liability risk (as noted in the table above), has informed the council that it will be imposing a significant premium increase from that which was quoted at tender, and as such, the option to extend the current LTA is not available and a new LTA will be required. The casualty risk is perceived by insurers as one of the more riskier categories of risk to cover and as such few insurers are willing to offer competitive quotes for covering this risk alone. It is also the risk that the council pays the highest premium for. It is for this reason and based upon advice sought from the council's appointed insurance broker that approval is being sought to go out to tender for all of the insurance programme risks (and not just the casualty risk) that expire on 30 September 2021. By providing other classes of risk on the market at the same time, this will enable insurers to consider offsetting the casualty risk against other classes of insurance and therefore may assist in securing more insurers to provide bids to underwrite the casualty risk.

Consultation

- 4.7 Consultation has taken place with the council's appointed broker to understand and consider the options available to the council. The broker has advised that a tender of the whole programme.



4.8 A large part of the council’s insurance programme is jointly procured with Sandwell Children’s Trust. As such, the Trust has also been consulted on the recommendations being sought from Cabinet.

5 Alternative Options

5.1 There are a number of options available to the council as follows:

- (e) Option 1- carry out a tender for casualty cover only. This is not the preferred option for reasons noted at paragraph 4.6 above.
- (f) Option 2- do not procure casualty cover and retain the risk internally. Given the insurance cover is for catastrophic loss, this would leave the council’s taking on a level of risk which is in excess and outside of the council’s appetite for risk and would have significant financial implications if such events materialised.
- (g) Option 3 – carry out a tender exercise for the main programme of insurance which expires on 30 September 2021.

6 Implications

Resources:	<p>The premiums for the insurance policies noted in the table above are in excess of £1m per annum and provide cover for various risks including protection of the council buildings. These costs will be met from the Insurance Reserve that has been set aside by the council.</p> <p>The procurement will be conducted jointly by officers from the council’s Risk and Insurance team and Procurement team.</p>
Legal and Governance:	<p>The council protects its assets and liabilities through the combination of a number of insurance policies which are placed with external insurers and through self-insurance whereby internal funds are set aside to provide cover where external insurance is unavailable or uneconomical.</p> <p>Given the value of the insurance programme, as advised by brokers and the council’s procurement team, a complaint procurement exercise will be undertaken using either the YPO or Crown Commercial Services Framework agreements. This will also ensure compliance with the Public Contracts</p>



	Regulations 2015 and the council's Procurement and Contract Procedure Rules.
Risk:	<p>The key risks associated with the recommendations being sought include:</p> <ol style="list-style-type: none"> There is a risk that the tender could result in an increase in premiums for cover and also additional exclusions and higher levels of deductibles/ excesses. Underwriters may not have an appetite for certain risk covers and therefore could leave the council exposed to taking on the entire risks. Insurers are requesting significantly increased details around council activities and operational risk management and therefore additional resources across key service areas will need to be allocated to ensure all enquiries are dealt with promptly in line with the procurement timetable, to ensure insurers are confident in underwriting the risk and submit a bid. Given the ongoing pandemic, there is a risk that the capacity of council and SCT resources to provide the required information and carry out the procurement could be impacted. As a result of Covid 19, a number of tenders were deferred by public sector organisations from 2020 into 2021 under the emergency legislation that was put in place to deal with the pandemic. As such, insurers may be very selective as to where they allocate their finite resources and which tenders they will wish to consider. This could leave the council and SCT exposed to not obtaining cover for certain risks.
Equality:	An equality impact assessment has not been carried as the procurement for a programme of insurance and risk transfer will not impact against the protected characteristics.
Health and Wellbeing:	As noted above, the insurance programme provides cover for a range of risks including council owned assets and buildings, and protection from any negligence and resulting injury to residents and visitors to Sandwell as well as the council's workforce.



Social Value	The procurement will consider inclusion of social value criteria as part of the tender evaluation process.
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7. Appendices

None

8. Background Papers

None

