

Report of	Meeting	Date
Director of Governance	Governance Committee	11/01/2021

INSURANCE BROKERAGE PROCUREMENT

PURPOSE OF REPORT

- This report is to inform members of the recent Insurance Brokerage Service procurement.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy homes and communities		An ambitious council that does more to meet the needs of residents and the local area	✓

BACKGROUND

- The Shared Audit and Risk Service (formerly Shared Assurance Services) has delivered insurance services on behalf of South Ribble and Chorley Council's since 2009, the broker contract is procured by South Ribble Borough Council on behalf of both authorities.

The Insurance Broker contact was last procured in 2016. It established a 2-year contract on a fixed fee basis, with the option to extend on an annual basis for a further 2 years. Both councils chose to extend the contract into years 3 and 4 with the contract coming to an end on the 31 December 2020.

A procurement exercise was necessary during 2020 to obtain a new contract from 01 January 2021

INSURANCE BROKERAGE

- Market leading and multinational insurance companies do not deal directly with clients therefore organisations need to engage the services of an Insurance Broker.

The council procures Insurance Brokerage to provide ongoing consultancy on each council's insurance policy portfolio. The brokers will review both portfolios looking at the risk environment and the risk management practises to ensure insurable risks are covered or have been considered. Shared Audit and Risk work closely with the broker to keep insurers

informed of strategic projects or day to day service delivery activity. This guarantees appropriate levels of insurance cover are maintained, protecting both councils against financial loss.

The Shared Audit and Risk Service supports the broker to undertake the annual renewal process, which informs the forthcoming years premiums. It is desirable to have a broker with a strong marketplace, which they use alongside their relationships with major insurers to negotiate down premium increases or achieve other monetary savings and benefits.

PROCUREMENT

5. The procurement was delivered using the YPO procurement framework. There are two frameworks available for use to procure public sector insurance brokerage services, the CCS and YPO. There is little difference between the offerings, both had all the major public sector brokerage companies listed in the framework. However, opinions were sought from other local authorities and the current brokerage provider. In the main the YPO service was preferred and an additional factor was the leading officer on the YPO framework had assisted the shared procurement in 2016 so was familiar with the shared service arrangement between the two councils.

The existing contract value was £6250.00 across both authorities, with additional brokerage fees for the insurance procurement activity. Under advice it was estimated there may be as much as a 50% increase in the market standard fees for the size of brokerage contract being procured. With a similar length of contract, the procurement was considered as an Intermediate Value Procurement (£25,000 - £100,000) under South Ribble Borough Council's Contract Procedure Rules and approval was sought from the Director of Governance to procure through a framework.

The framework agreement option was chosen as it offered reduced administration costs and offered access to pre-approved providers. All providers on the framework pre-agree a standard set of terms and service delivery standards. In addition to the standard terms of the framework the tender outlined the brokerage expectations of South Ribble and Chorley Councils, listing key future projects and aspirations. The tender was published with an evaluation criteria of 30% price and 70% quality.

There were 3 bids received for the tender, the successful bidder A J Gallagher scored highest in price, but more importantly in the quality questions.

FINANCIAL

6. It was expected that the value of brokerage contract would increase on this procurement in line with the ongoing changes within the insurance market which is hardening. With less competition in the market premiums increase. The current pandemic is greatly influencing the insurance environment.

Recent mergers and acquisitions in major brokerage companies have however created competition in the broker market, including the public sector contract environment. The Council had budgeted for a 50%- 80% increase in the annual contract value considering market conditions, but the procurement achieved an 86% saving.

	Annual Consultancy	Saving
Aon	6250.00	
A J Gallagher	840.00	5410.00

The contract between A J Gallagher and South Ribble Borough Council will provide brokerage services to both South Ribble and Chorley Councils. The contract value above is the total contract, the sum will be split across the two councils.

It should be noted that brokers receive additional remuneration on contracts. When placing insurance policies brokers charge each insurer a 3.5%* ISB (Insurance Services Brokerage) fee. This is charged annually at renewal on placement of each new policy.

(*The 3.5% ISB related to all insurance policies placed at the wider portfolio procurement through the framework. Standalone or niche policies may be placed with a higher ISB as outlined in A J Gallagher's Terms of Business)

IMPLICATIONS OF REPORT

7. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

8. There is a risk A J Gallagher does not deliver a quality service and fails to achieve competitive long-term agreements when procuring the new insurance policies. This will be managed with the Audit and Risk Service by contract management and officers being actively involved in the wider insurance procurement activity.

COMMENTS OF THE STATUTORY FINANCE OFFICER

9. The proposed contract is within budget provision.

COMMENTS OF THE MONITORING OFFICER

10. No comments.

CHRIS MOISTER
DIRECTOR OF GOVERNANCE

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