

| Report of  | Meeting                   | Date         |
|--|---------------------------|--------------|
| Director Governance<br>Introduced by the Deputy Executive Leader, Executive Member for Resources | Executive Member Decision | 30 July 2021 |

## Insurance Procurement Evaluation Criteria

### Purpose of report

- The purpose of this report is to ask Members to consider the evaluation criteria and pricing methodology for the insurance procurement.

### Recommendation(s)

- That packaged bids are excluded from this procurement.
- Members agree the proposed evaluation criteria tabled in the report.

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| <b>Confidential report</b><br>Please bold as appropriate | No |
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| <b>Key Decision?</b><br>Please bold as appropriate | No |
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### Reasons for recommendation(s)

- The recommendations in this report are drawn from the advice of insurance and procurement professionals. There has been much consideration as to the best approach to the market and the various options available to deliver a successful procurement, achieving on price but also delivering quality insurance cover. An additional consideration has been mitigating the potential challenge of the Council's principles of non-discrimination, equal treatment, and transparency.

### Alternative options considered and rejected

- To allow packaged bid to achieve best possible price.

### Corporate priorities

- This report relates to the following Strategic Objectives:

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| 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 | ✓ |

### Social Value

- The Council would usually score social value provided as part of the assessment process. Most bidders in this procurement will be large multi-national or global organisations, for the larger policies this is beneficial as they will have economies of scale, depth of resources

and be financially more resilient, able to withstand market fluctuations and losses without the need to increase premiums across clients.

8. However, it will be difficult for such large companies, which may have a relatively small physical footprint in the UK to evidence the impact of this insurance procurement on social value. Other than the general Corporate Social Responsibility commitments of the organisation the procurement may not provide any tangible impact to the borough or wider region.
9. Advice has been sought from the Council's insurance broker and YPO, the provider of the Dynamic Purchasing System being used to procure the insurance policies. YPO advise it is uncommon for Local Authorities to include social value in insurance tenders due to the complex nature of the insurance environment. Both agree it would be difficult to evidence a social value impact for this procurement.
10. Based on this advice Members are asked to agree the procurement proceeds without the inclusion of social value. This provides more overall weight to be included for price.

### **Packaged bids**

11. Insurers often like to package the pricing on tenders. This is based on the grouping of Lots and in this procurements case providing a packaged price for both council's policies.
12. When publishing multi policy procurements the various policies are grouped into Lots, such as property, motor, and casualty (Public and Employers Liability policies). Many of those bidding to provide the cover will be large insurance companies who can offer cover across several Lots, other bidders will be specialists or niche providers interested only in particular covers.
13. The pro's to packaged bids are additional savings on the original bid price. For example, 5% reduction on price to achieve both property and casualty cover, or an insurer may offer 5% to achieve both council's motor covers
14. However, such bids can lead to challenge if one entity was lower on price for a particular cover when considering like for like bids, but the successful insurer provided a packaged bid.
15. It is the advice of the insurance broker and Principal Insurance Officer that allowing packaged bids will make it difficult to evaluate prices properly and will leave aspects of the evaluation open to interpretation, proving difficult to demonstrate fair and transparent prices per Lot. Similarly, a packaged bid to group both council's policies together may be overall better on price but could be greater than a sole bid achieved by one council in isolation, potentially one council will be paying a higher premium than necessary.
16. Another consideration of this approach is losing the quality niche market insurers and having less market resilience. Covers such as Fine Arts are often better procured from specialist insurers who operate predominantly in this area of cover. Allowing packaged bids could push out smaller or niche insurers who potentially have a stronger quality offering. Again, there could be challenges that the procurement does not provide equal opportunity or fairness. Also, having covers spread across different insurer offers resilience should an insurer suffer significant losses or financial difficulties

## Evaluation Criteria

17. Members are asked to support the following evaluation criteria:

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| Price 55%  | We are advised the market had hardened and increased premiums are to be expected.  |
| Quality 45%<br><br>Breakdown <ul style="list-style-type: none"> <li>• Compliance with specification – 20%</li> <li>• Quality of claims handling service – 25%</li> </ul> | Losses due to the global pandemic has caused insurers to re-evaluate their risk, leading to exclusions on some aspects of cover potentially creating added risk exposure to the council. The quality of the covers placed will be important risk mitigation.<br><br>Meeting the specification will ensure covers provide the required risk transfer solutions.<br><br>Effective claims handling services strengthen the ability to deny or successfully defend claims, reducing the cost of excess / deductibles but also positively influencing annual premium reviews. |

## Implications of report

### Risk

18. Due to the ever present potential for mass claim incidents (such as the global pandemic) or singular large loss events (the Grenfell Tower disaster) insurers will not underwrite risk too far into the future, procurements need to be published within a few months of the required cover inception date. If by allowing packaged bids the procurement was challenged the delay would most likely prevent the council having new insurance in place by the required date of 01 January 2022.
19. There is not sufficient time to incept covers before 01 January 2022 should a successful challenge require a second procurement exercise.
20. This report has implications in the following areas and the relevant Directors' comments are included:

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

### Comments of the Statutory Finance Officer

21. Insurance charges are allocated and apportioned wherever possible to individual budget lines to reflect true costs of services. Any fluctuation in charge as a result of this tender would be passed on to the relevant service and incorporated within the budget setting process.

**Comments of the Monitoring Officer**

22. For the reasons explained in the report the assessment criteria are appropriate for this procurement exercise.

Chris Moister  
Director of Governance

| <b>Background Papers</b>                         |              |   |
|--|--------------|---|
| <b>Document</b>                                  | <b>Date</b>  | <b>File</b>   |
| Executive Cabinet Report - Insurance Procurement | 17 June 2021 | <a href="http://mod/documents/s128755/Insurance%20Procurement.pdf?LO\$=1">http://mod/documents/s128755/Insurance%20Procurement.pdf?LO\$=1</a> |

| <b>Report Author</b> | <b>Ext</b>   | <b>Date</b> |
|----------------------|--------------|-------------|
| Kerry Maguire        | 07970 665911 | 27/07/2021  |

Following careful consideration and assessment of the contents of this report, I approve the recommendation(s) contained in Paragraph 2 of the report in accordance with my delegated power to make executive decisions.



Dated 03.08.21

**Councillor Peter Wilson**  
Executive Member Resources