

INSURANCE PROCUREMENT (HAMPSHIRE DISTRICT & BOROUGH COUNCILS)

1. PURPOSE

- 1.1 The collaborative procurement exercise for insurance services has now concluded with the Hampshire Insurance Forum (HIF) awarding the contract for the insurance of all 11 district and borough councils. This has resulted in an estimated saving of £1.9m across the 11 councils over the next three years and a saving of £42,000 per annum for NFDC.
- 1.2 This report updates the Audit Committee on the outcome of the procurement and new arrangements for the Council.

2. INTRODUCTION AND BACKGROUND

- 2.1 Following an options appraisal in 2013 the HIF, with the support of the Hampshire Chief Finance Officers, took the decision to procure insurance as a single collaboration of 11 authorities via the Crown Commercial Service Insurance Services Framework. Subsequently Aon were appointed to act as the Broker for the HIF and approach the market to secure insurance for the authorities effective from 1 April 2015.
- 2.2 A procurement team was established to represent the HIF comprising of officers from Fareham Borough Council, Winchester City Council, Basingstoke and Deane Borough Council and New Forest District Council. Fareham Borough Council led and advised on the procurement itself.
- 2.3 In order to provide the market with the best proposition, and achieve the greatest market response, the insurance portfolio's for each authority were aligned, where possible, and excesses and indemnity limits across the HIF were standardised. This was further supported by the ongoing work undertaken since 2009 by each authority to reach a set of minimum risk control and management standards.
- 2.4 Inevitably this background work and the strong commitment to collaborate has contributed to the savings achieved and is set out in more detail in the draft case study at Appendix 1. The case study was prepared by NFDC in March 2015 and although there have since been some minor updates the substance remains unchanged.

3. PROCUREMENT EXERCISE AND OUTCOME FOR NFDC

- 3.1 To encourage competitive quotes and attract specialist insurers in to the local authority market, the tender specification was split in to 11 Lots, including a package discount Lot. Seven valid tenders were received for the provision of insurance services to Hampshire borough and district councils for a three year long term agreement with the option to extend for a further two years.

- 3.2 Quotes were evaluated to ensure the most economically advantageous outcome for the HIF as a whole with a commitment by the group to place insurance contracts for each Lot or Lots with the same insurer. In a marked change from previous arrangements this resulted in different classes of business being placed with different insurers. This has necessitated the use of Broker Services. Currently these services form part of the award to Aon Risk Solutions to take the proposition to market and provide support to the HIF until December 2015, thereafter the costs per authority are in the region of £2,500 per annum.
- 3.3 The successful insurers are shown in the table below.

Insurance Class		Insurer
Lot 1	Property	Allianz
Lot 2	Right to buy /Leasehold	Ocaso
Lot 3	Property Owners	Allianz
Lot 4	Computer	Allianz
Lot 5	Fidelity/Crime	Zurich
Lot 6	Casualty	RMP
Lot 7	Motor	RMP
Lot 8	Engineering	Zurich
Lot 9	Personal Accident/Travel	Zurich
Lot 10	Terrorism	Catlin

- 3.4 The procurement exercise has resulted in a £42,000 cashable saving per annum for NFDC with an outgoing premium for all classes of £641,543 against a new premium of £599,818. This new premium provides additional cover i.e. for terrorism, and also comprises any growth in the business over the last year including additional fleet and houses that have been added to the Council's insurable risks portfolio. Given this extension of cover the saving on a like for like basis is much greater.
- 3.5 Although previous opportunities were identified in the potential self-insuring of housing properties the winning bid for the Property Lot only offered a small discount for this option, disproportionate to the risk the Council would be retaining, and the option has not been pursued. This opportunity should be revisited when the arrangements are retendered in 2018 (2020 if the two year extension is taken).
- 3.6 The performance of the new arrangements will be monitored and to ensure ongoing savings and avoid premium increases the Council will have to continue focussing its efforts on reducing loss frequency and costs through good risk management.

4. FINANCIAL IMPLICATIONS

- 4.1 The reduction in premium of approximately £42,000 per annum represents a saving to the general account.

5. ENVIRONMENTAL MATTERS AND EQUALITY & DIVERSITY IMPLICATIONS

- 5.1 There are no direct environmental or equality and diversity implications arising from this report.

6. RECOMMENDATIONS

It is recommended that Audit Committee:

- 6.1 Note the outcome of the collaborative insurance procurement and continued commitment to risk management.

For further information

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Background Papers

Insurance Procurement (Hampshire District & Borough Councils) - Report to EMT/Audit Committee September 2014