

**THE POLICE & CRIME COMMISSIONER FOR CLEVELAND****DECISION RECORD FORM**

**REQUEST:** For PCC approval.

**Title:** Procurement Report for Insurance Services

**Executive Summary:**

In 2013 The Police and Crime Commissioner entered into a three year contract with an option to extend for a further two years for the provision of Insurance services.

In 2016 a decision was made to extend the contract in line with the terms for a two year period, this decision was based on the fact that the Force's risk profile had not changed and therefore it was deemed that a market competition would not add value at that time. In 2017, the Insurance premiums increased by an average of 60% across the Casualty classes as a result of the Ogden ruling. The contract end date is 31st May 2018.

Crown Commercial Services have an Insurance Services 11 Framework RM3731 which enables a compliant route to market. Using such a Framework reduces the procurement costs and also reduces the timescales in the tendering process as suppliers on the Framework are already commercially compliant. Lot 1 – Insurance and Associated Services was chosen and a mini competition carried out with 22 of the 26 suppliers within this Lot (4 suppliers did not provide cover for the categories required).

The mini-competition was split and suppliers were invited to bid for individual insurance categories or all insurance categories.

Three suppliers responded to the mini competition and submitted a bid.

The appendix to this decision record form contains full details of the procurement process and outcome.

**Decision:** That the Police and Crime Commissioner note the Procurement process used to appoint a supplier for the Insurance Services.

The Police and Crime Commissioner approve the procurement methods investigated and recommendations put forward by the Evaluation Team to award Casualty and Liability Claims Handling to Bidder 1 and Property, Computer, Fidelity, Motor, Engineering, Personal Accident, Terrorism and Motor Claims Handling to Bidder 2.

**OPCC Lead Officer:** Michael Porter

**Contractor Details (if applicable):** Maven and Risk Management Partners

<b>Implications:</b>			
Has consideration been taken of the following:	Yes	No	
Financial	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Legal	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Equality & Diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Human Rights	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Sustainability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
Risk	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
<b>(If yes please provide further details below)</b>			

### Decision Required – Supporting Information

Financial Implications: (Must include comments of the PCC's Chief Finance Officer where the decision has financial implications)

The agreed 2018/19 budget for Insurance Services is £807,450 per annum which includes the Brokerage Costs of £8,500.

The cost for insurance renewal in June 2016 was £596,312.26 plus £8,500 for Brokerage.

Due to changes with the Ogden ruling the cost for the insurance renewal in June 2017 increased significantly to £841,470.88 plus the £8,500 brokerage charge.

A decision was made to increase the excess levels as part of the procurement exercise on Property, Computer, Terrorism and Fidelity guarantee from £25,000 to £50,000. The reason for this decision was based on past claims history being low and the additional savings in premiums which could be achieved. All other excess levels are in line with the 2017 deductibles.

The Optimal Insurance Premiums per annum following the tender exercise are:

Class of Insurance	Price	Excess	Bidder
Property	£35,922.29	£50,000	B2
Computer	£4,989.00	£50,000	B2
Casualty	£395,665	£500,000 EL £35M, £125000 PL/PI Aggregate £1.6M	B1
Fidelity Guarantee	£4,000.00	£50,000	B2
Motor	£96,900.00	£500,000	B2
Engineering Inspection	£5,856.00	N/A	B2
Engineering Insurance	£120.00	£100	B2
Personal Accident	£4,909.00	£25	B2
Terrorism	£5,589.00	£50,000	B2
GB Claims Handling	£6,271.38	N/A	B2
Liability Claims Handling	£3,820.00	N/A	B1
Insurance Premium Tax	£65,771.31	N/A	
<b>Total</b>	<b>£629,812.98</b>		

Savings against budget are: £169,137.02 taking into account £8,500 broker fee, although premiums are renegotiated each year, estimated budget savings across the contract term of 3 years are £507,411.06.

Savings against 2017 premium are £211,657.90 for year 1, although premiums are re-negotiated each year, estimated savings against 2017 premium across the contract term of 3 years are: £634,973.70. However against the 2016 premium there is an increase of £33,500.72.

There are options to reduce the excess on the motor, however this will increase the premiums paid.

The above premiums provide some levels of cover for the new CSH however do not cover the total cost of insuring the CSH as the final sums to be insured are not yet finalised. It is not anticipated that this increase will be significant.

Legal Implications: (Must include comments of the Monitoring Officer where the decision has legal implication)

Having read this report and having considered such information as has been provided at the time of being asked to express this view, the Chief Executive is satisfied that this report does not ask the PCC to make a decision which would (or would be likely to) give rise to a contravention of the law.

Equality and Diversity Implications

There are no Equality and Diversity Implications.

Human Rights Implications

There are no Human Rights implications associated with the award of this contract.

Sustainability Implications

There are no sustainability implications associated with the award of this contract.

Risk Management Implications

There are no risk implications associated with the award of this contract as both Bidder 1 and Bidder 2 are experienced in providing Insurance Services to the Police Market.

**OFFICER APPROVAL**

**Monitoring Officer**

I have been consulted about the decision and confirm that financial, legal, and equalities advice has been taken into account. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner.

Signed 

Date 17/5/18

**Police and Crime Commissioner:**

The above request HAS my approval.

Signed 

Date 17/5/18



## **Report of the Chief Constable to the Police and Crime Commissioner for Cleveland – May 2018**

**Status: For Decision**

### **Procurement Report for Insurance Services**

#### **1. Purpose**

- 1.1 In 2013 The Police and Crime Commissioner entered into a three year contract with an option to extend for a further two years for the provision of Insurance services.
- 1.2 In 2016 a decision was made to extend the contract in line with the terms for a two year period, this decision was based on the fact that the Force's risk profile had not changed and therefore it was deemed that a market competition would not add value at that time.
- 1.3 In 2017, the Insurance premiums increased by an average of 60% across the Casualty classes as a result of the Ogden ruling. The Ogden ruling is in relation to the payment made as a result of personal injury. The discount rate was reduced meaning that those suffering from serious injuries will receive a greater amount of compensation; however the result is that insurers will incur significant additional costs for classes of insurance where there is exposure to personal injury.
- 1.4 In January 2018, in readiness for the re-tender the PCC awarded a contract for Insurance Broker Services via direct award on the CCS RM3731 Framework to Arthur J Gallagher.
- 1.5 Arthur J Gallagher has been providing Broker Services for a number of years and understands the Force and the insurance requirements. The use of an insurance Broker is necessary as many Insurers will only provide services through a broker.
- 1.6 The Force Risk and Insurance Manager in conjunction with the Broker and stakeholders completed an assessment of the requirements to include within the tender.
- 1.7 The Insurance is currently split between two providers, the current provider of the main casualty liability insurance had advised the broker that they are pulling out of the Police Market, and although they would bid when the tender was issued it was unlikely to be competitive.

## 2. Recommendations

- 2.1 That the Police and Crime Commissioner note the Procurement process used to appoint a supplier for the Insurance Services.
- 2.2 The Police and Crime Commissioner approve the procurement methods investigated and recommendations put forward by the Evaluation Team to award Casualty and Liability Claims Handling to Bidder 1 and Property, Computer, Fidelity, Motor, Engineering, Personal Accident, Terrorism and Motor Claims Handling to Bidder 2.

## 3. Background

- 3.1 Crown Commercial Services have an Insurance Services 11 Framework RM3731 which enables a compliant route to market. Using such a Framework reduces the procurement costs and also reduces the timescales in the tendering process as suppliers on the Framework are already commercially compliant. Lot 1 – Insurance and Associated Services was chosen and a mini competition carried out with 22 of the 26 suppliers within this Lot (4 suppliers did not provide cover for the categories required).
- 3.2 The mini-competition was split and suppliers were invited to bid for individual insurance categories or all insurance categories.
- 3.3 Three suppliers responded to the mini competition and submitted a bid.
- 3.4 The three bids were evaluated by the Evaluation Team using the published evaluation criteria of 70% Price and 30% Quality.
- 3.5 Only Bidder 2 submitted a bid for all categories of Insurance, therefore price comparison for the tenders was based on categories that all three bidders had submitted a response for to ensure fairness.
- 3.6 Bidder 3 is the existing Insurer for the majority of lots and therefore understand the Force and cover levels best, unfortunately their submission was significantly more expensive than Bidder 1 and Bidder 2.
- 3.7 Clarification questions were issued to both Bidder 1 and 2 as a result both Bidders also adjusted their pricing.
- 3.8 The Evaluation scores were:

Criteria	Weighting	B1	B2	B3
Technical and Professional Ability	5%	3.5%	3.5%	3.5%
Experience and Knowledge	5%	4.5%	4.5%	3.5%
Methodology	5%	3.5%	4.5%	4.5%
Added Value	5%	3.5%	4.5%	4.5%
Queens Council	5%	3.0%	3.5%	3.0%
Value for Money	5%	3.0%	3.5%	3.5%
Price	70%	70%	69.78%	55.04%
<b>Total</b>	<b>100%</b>	<b>91%</b>	<b>93.78%</b>	<b>77.54%</b>

## 4. Implications

### 4.1 Finance

- 4.1.1 The agreed 2018/19 budget for Insurance Services is £807,450 per annum which includes the Brokerage Costs of £8,500.
- 4.1.2 The cost for insurance renewal in June 16 was £596,312.26 plus £8,500 for Brokerage.
- 4.1.3 Due to changes with the Ogden ruling the cost for the insurance renewal in June 17 increased significantly to £841,470.88 plus the £8,500 brokerage charge.
- 4.1.4 A decision was made to increase the excess levels as part of the procurement exercise on Property, Computer, Terrorism and Fidelity guarantee from £25,000 to £50,000. The reason for this decision was based on past claims history being low and the additional savings in premiums which could be achieved. All other excess levels are in line with the 2017 deductibles.
- 4.1.5 The Optimal Insurance Premiums per annum following the tender exercise are:

Class of Insurance	Price	Excess	Bidder
Property	£35,922.29	£50,000	B2
Computer	£4,989.00	£50,000	B2
Casualty	£395,665.00	£500,000 EL £35M, £125000 PL/PI Aggregate £1.6M	B1
Fidelity Guarantee	£4,000.00	£50,000	B2
Motor	£96,900.00	£500,000	B2
Engineering Inspection	£5,856.00	N/A	B2
Engineering Insurance	£120.00	£100	B2
Personal Accident	£4,909.00	£25	B2
Terrorism	£5,589.00	£50,000	B2
GB Claims Handling	£6,271.38	N/A	B2
Liability Claims Handling	£3,820.00	N/A	B1
Insurance Premium Tax	£65,771.31	N/A	
<b>Total</b>	<b>£629,812.98</b>		

- 4.1.6 Savings against budget are: £169,137.02 taking into account £8,500 broker fee, although premiums are renegotiated each year, estimated budget savings across the contract term of 3 years are £507,411.06
- 4.1.7 Savings against 2017 premium are £211,657.90 for year 1, although premiums are re-negotiated each year, estimated savings against 2017 premium across the contract term of 3 years are: £634,973.70. However against the 2016 premium there is an increase of £33,500.72
- 4.1.8 There are options to reduce the excess on the motor, however this will increase the premiums paid.

- 4.1.9 The above premiums provide some levels of cover for the new CSH however do not cover the total cost of insuring the CSH as the final sums to be insured are not yet finalised. It is not anticipated that this increase will be significant.
- 4.2 Legal  
Terms and Conditions used for this service are Crown Commercial Services Framework RM3731 Insurance Services 11 terms and conditions.
- 4.3 Diversity & Equal Opportunities  
There are no diversity & equal opportunity implications associated with the award of this contract.
- 4.4 Human Rights Act  
There are no Human Rights implications associated with the award of this contract.
- 4.5 Sustainability  
There are no sustainability implications associated with the award of this contract.
- 4.6 Risk  
There are no risk implications associated with the award of this contract as both Bidder 1 and Bidder 2 are experienced in providing Insurance Services to the Police Market.

## **5. Conclusions**

- 5.1 The Evaluation Team is confident that the procurement exercise has been conducted in a fair, comprehensive, thorough and transparent process.
- 5.2 The splitting of the Insurance categories between Bidder 1 and Bidder 2 provides the greatest value for money and therefore the evaluation team recommends the award of Casualty and Liability Claims Handling to Bidder 1 and Property, Computer, Fidelity, Motor, Engineering, Personal Accident, Terrorism and Motor Claims Handling to Bidder 2.
- 5.3 Savings of £169,137.02 per annum have been achieved against budget.

Mike Veale  
Chief Constable

### Evaluation team:

Head of Procurement and Fleet – Cleveland Police  
Risk and Insurance Manager – Cleveland Police  
Divisional Director – Arthur J Gallagher Brokers