



**Haringey** Council

Agenda item:

[No 1

**Cabinet Procurement Committee**

**On 26<sup>th</sup> February 2008**

Report Title: **Purchase of Insurance Policies from External Providers – Award of Contracts**

Forward Plan reference number (if applicable): **V69 Item 10**

Report of: **Chief Financial Officer**

Wards(s) affected: **All**

Report for: **Key decision**

### **1. Purpose**

1.1 To inform Members of the procurement process undertaken to appoint providers for the Council's external insurance policies and claims handling services from 1<sup>st</sup> April 2008, and to obtain approval from Members to award the contracts to the selected providers.

### **2. Introduction by Cabinet Member (if necessary)**

2.1 The proposals in this report will enable the Council to fulfil its obligations for the remaining aspects which the London Authorities Mutual Limited does not cover. I commend the recommendations.

### **3. Recommendations**

3.1 That Members approve the award of the contracts for the provision of external insurance policies and claims handling services outlined at paragraph 3.1 of Appendix A under Contract Standing Order 11.03.

3.2 That the contracts be awarded for a period of three years, with effect from 1<sup>st</sup> April 2008, with the option to extend for a further two years.

Report Authorised by: **Gerald Almeroth**  
**Chief Financial Officer**

**Contact Officers: Anne Woods, Head of Audit and Risk Management**

Tel: 020 8489 5973 Email: [anne.woods@haringey.gov.uk](mailto:anne.woods@haringey.gov.uk)

**Trudie Eagle, Risk and Insurance Manager**

Tel: 020 8489 3812 Email: [trudie.eagle@haringey.gov.uk](mailto:trudie.eagle@haringey.gov.uk)

#### **4. Head of Legal Services Comments**

- 4.1 This report is seeking Members' approval for the award of the contracts for the provision of external insurance policies and claims handling services as outlined in paragraph 3.1 of Appendix A.
- 4.2 The negotiated procedure provided for under the Public Contracts Regulations 2006 was considered the most suitable tender process given the complexity of insurance contracts and the limited number of suitable providers.
- 4.3 The value of the contract is in excess of £250,000 and therefore the decision to award it must be made by the cabinet in accordance with CSO 11.3.
- 4.4 It is proposed to award the contract on the basis that the proposed providers submitted the most economically advantageous tenders in accordance with CSO 11.01(b)
- 4.5 The part of the contract relating to Leasehold and Mortgage Property policy is subject to the Commonhold and Leasehold Reform Act 2002 and the Service Charges (Consultation Requirements) (England) Regulations 2003 ("the Regulations"). The Council, as landlord is required to consult with leaseholders (or their representatives) where they will be required to contribute to the cost of works or services affecting their properties. Failure to consult would lead to limitation on the amount recoverable by the Council.
- 4.6 Under the regulations, the Council must serve on all affected leaseholders an initial notice of its intention to enter into the new contract and invite leaseholders' observations. The Council should then obtain estimates and issue a further notice to all affected leaseholders informing them of the result of the tendering exercise, giving them an estimate of their contribution, and inviting their further comments on the proposals within 30 days. The notice of intention was duly served on 21 December 2007.
- 4.7 The Council is required to have regard to any observations made by the leaseholders prior to the expiry of the 30 day notice period following service of the notice of award. Members should therefore be satisfied that any observations by leaseholders will be given due consideration before the commencement of the relevant contracts.
- 4.8 The Head of Legal Services confirms that there are no legal reasons preventing Members from Approving the recommendation of this report.

## **5. Head of Procurement's Comments**

- 5.1 This negotiated procurement process has been undertaken in line with the Procurement Code of Practise
- 5.2 The recommendations represent Value for Money to the council as outlined in Appendix A
- 5.3 Contract management arrangements have been put in place to ensure contract compliance
- 5.4 This recommendation in conjunction with the LAML arrangements will protect the Council from claims made against it , minimising any financial impact upon the council

## **6. Strategic Implications**

- 6.1 Haringey Council currently obtains insurance cover from external organisations to protect against claims made against the Council. The Council also has a contract with an external provider to support its claims handling processes. These contracts expire on 31 March 2008. Cabinet approval was obtained in 2007/08 for Haringey Council to join the London Authorities Mutual Limited (LAML) on 1 April 2008. After this date, LAML will provide insurance cover for most, but not all, of the Council's liabilities. The Council self insures its policy excesses.
- 6.2 As a result of the decision to join LAML, the Council needed to obtain insurance cover for the remaining liabilities. The Council also needed to renew its contract for the provision of claims handling support. A competitive tendering exercise was undertaken in 2007/08, in accordance with OJEU regulations and the Council's current contract Standing Orders.
- 6.3 In April 2005, when the Council placed the contract with the current insurer, the contract included claims handling provision for claims falling within the policy excess. From 1 April 2008 we will require a claims handling service for those claims within the policy excess where the cover is placed with LAML. Property claims will be dealt with in house by Audit and Risk Management (Insurance Team), the tender specification therefore covers liability claims handling only.
- 6.4 The tender specification allowed for organisations to submit tenders for part, or the entire contract for insurance cover. This approach ensured that sector-specific or specialist insurance providers would not be excluded from the process. A number of organisations expressed interest and a total of eleven providers subsequently returned tenders containing various prices and conditions.
- 6.5 Following the analysis of tenders and further negotiations with insurance companies to clarify a number of issues raised by the individual submissions, it is recommended that external insurance policies are obtained from the providers outlined at paragraph 3.1 of Appendix A. These providers' proposals represent the most economically advantageous tender submission.

6.6 The tender specification for the provision of claims handling services required providers to submit prices for a complete service for all types of claims. A number of organisations expressed an interest and four providers returned tender submissions. Following the analysis of tenders, two organisations were invited for interview and it is recommended that the claims handling service is obtained from the provider outlined at paragraph 3.1 of Appendix A. This provider's proposals represent the most economically advantageous tender submission.

## **7. Financial Implications**

7.1 The premiums and fees paid in respect of the claims handling service, motor fleet and engineering policies form part of the overall insurance recharge to Directorates. The premiums in respect of the school journey, industrial, commercial, sundry, private sector leased, leasehold and mortgage buildings policies are initially paid by the Council but are then recharged in full to the schools and tenants.

## **8. Legal Implications**

Please see Head of Legal Services' comments at paragraph 5 of this report.

## **9. Equalities Implications**

9.1 In the Equality Public Duty Scheme adopted by the Council, the Council is committed to promoting equality through procurement. The Council seeks to do this in three fundamental ways:

**i. Equality of opportunity to Council contracts.**

The aim is to open up the supply chain so that all potential suppliers who are interested have the opportunity to tender through a process that is fair, transparent and accessible to all. (Equality Scheme, para 5.11 – 5.11.1)

In regard to the proposals in this report, the tender specification was designed to give all organisations with the appropriate skills and experience the opportunity to tender. The requirements of accessibility, transparency and fairness are therefore satisfied in accordance with the Council's Equality Scheme in respect of procurement.

**ii. Influencing (promoting equality with) the people we do business with.**

The aim is to ensure that we continue to operate a tender process and an evaluation process.

**iii. Taking account of equalities issues when drafting contact specifications.**

The aim is to ensure that goods, services or works provided on behalf of the Council not only meet the fit-for-purpose and value-for-money criteria but also meet the needs of Haringey service users in all their diversity.

## **10. Consultation**

10.1 Three meetings have been held with the Leaseholders Panel to keep them fully briefed and consulted on the tender exercise. All leaseholders have received notification by way of Section 20 notice of intention which was sent on 21 December 2007.

## 11. Background

- 11.1 The current external insurance programme is provided by two insurance providers RMP and Zurich Municipal. The contracts have been in place since April 2005 and are due to expire on the 31 March 2008. Cabinet approval was obtained in 2007/8 for Haringey Council to join the London Authorities Mutual Limited (LAML) on 1 April 2008 and as a result the Council needed to obtain insurance cover for those risks not covered by LAML.
- 11.2 A competitive tendering exercise was undertaken in accordance with OJEU regulations and the Councils current contract Standing Orders, with a specified date for return of tenders of 20 December 2007. The tender was advertised as a negotiated procedure. The tender specification was compiled by the Council's insurance broker, Marsh Limited in conjunction with the Risk and Insurance Manager.
- 11.3 A total of eleven providers subsequently returned tenders which were evaluated to ensure they complied with the tender specification. The tenders were evaluated in accordance with the following:

<b>Criteria</b>	<b>Score</b>
Price	60%
Extent of cover provided	10%
Experience of underwriting in the Public Sector	10%
Financial and Economic Standing	10%
Flexible underwriting approach	5%
Depth of Insurers risk management and control resources and how these will benefit the Council	5%

- 11.4 Four providers returned tenders in respect of the claims handling service, these were short listed and two providers were interviewed.
- 11.5 Performance will be monitored by means of monthly reports and quarterly review meetings will be held to monitor service standards.

## 12. Conclusion

- 12.1 The tender exercise has been completed and we are in a position to make a recommendation to Cabinet Procurement Committee to award the contracts.