

REPORT TITLE:	CONTRACT AWARD: PROPERTY RELATED INSURANCE
REPORT OF:	ASSISTANT DIRECTOR OF FINANCE

REPORT SUMMARY

The purpose of this report recommends acceptance of a tender from Zurich Insurance Company Limited (trading as Zurich Municipal) and award of contract for the renewal of insurance policies for a 3 year period with the option of two 2 year extensions in respect of Council buildings and contents as renewal of the policies are due on 1st November 2023.

The Wirral Plan 2021-2026 sets out the Council's vision to secure the best possible future for our residents, defined by the community prosperity we create and supported by our excellent people and services.

The report contributes to the Wirral Plan 2021-2026 in indirectly supporting the organisation in meeting all Council priorities.

This matter affects all Wards.

This matter is a Key Decision.

RECOMMENDATION/S

The Director of Finance is recommended to:

- (1) award the contract to Zurich Insurance Company Limited, trading as Zurich Municipal, in relation to property insurance for an initial 3 year period **"the Contract"** with an estimated annual value of £291,325.77 including Insurance Premium Tax and with variations in respect of the Birkenhead Commercial District as the highest scoring tender, as outlined in the exempt Appendix A, within the approved budget and in accordance with the Most Economically Advantageous criteria.
- (2) consider and approve final sign-off of the Contract, in consultation with the Director of Law and Governance
- (3) agree that the decision not to be subject to removal of delegation and reconsideration as any delay likely to be caused by the process for removal of delegation and reconsideration would seriously prejudice the Council's or the public's interest due to the risk arising from any interruption to the continuation of insurance cover in respect of the Council's property related assets.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 To ensure that continuity of property related insurance policies relating to the Council's buildings and contents is in place, i.e. that Council buildings are not rendered uninsured.
- 1.2 Zurich's policy presents the most financially viable option from a tender process which received 4 bids.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 The existing property insurance contract could not be extended further within the terms of the contract. So this option was discounted. Consideration was given to self-insuring all or part of the risks. This would generate a significant financial exposure to the Council in the event of a catastrophic claim so was discounted. Therefore a full market tender exercise was undertaken with the assistance of Marsh the council's insurance brokers utilising the Yorkshire Purchasing Organisation (YPO) framework.

3.0 BACKGROUND INFORMATION

- 3.1 Property insurance policies held by the Council can be reasonably compared to those applying to domestic household insurance. Policies cover the wide range of the Council's buildings and contents. Policies provide cover for losses arising from fortuitous events such as storm, flood, fire, malicious damage and burst pipes. In insurance terms, these occurrences are known as 'insured perils'. Allied to main Insured Perils, policies also extend to covers known as 'Business Interruption' and 'Gross Revenue'. Essentially these covers assist the Council with additional, consequential costs such as alternative accommodation and for loss of income where fee charging services cannot function e.g. if a leisure centre was badly damaged by a fire.
- 3.2 Underpinning external insurance covers (policies) the Council will continue to fund elements of property claims in terms of self-insurance, sometimes also known as: policy excess, retention or deductible. Current policy deductibles vary with 'insured perils' but for purposes of this report can be stated as £500,000, increasing to £1,000,000 for 'wet perils'.
- 3.3 Current policies expire on 31st October 2023, reaching the end of a long term agreement with Zurich, following a policy extension from 30th June 2023 which creates a common renewal date with other council insurances. This will ensure that insurers can bid for all 'lots' at future tenders.
- 3.4 At the time of the extension mentioned in 3.3 above, a rebuild cost assessment was carried out on all Council owned properties to accurate reinstatement values. This showed that many of the Council's properties required their declared values increasing due to the increase in building costs following to Covid 19 and Brexit,

which was a widespread issue across the insurance market. Following this rebuild cost assessment, a further rebuild cost assessment was also carried out on the newly acquired Birkenhead Commercial District.

3.5 The Council commenced a tender process in respect of property and related covers in July 2023. This used the YPO framework. Tenders were requested and were evaluated as per the following basis:

- 50% price
- 30% policy cover
- 5% claims handling
- 5% added value and innovation
- 10% social value

3.6 Five tenders were received and evaluated. Details of the tenderers and scores are contained within the exempt appendix to this report.

4.0 FINANCIAL IMPLICATIONS

4.1 The contract is to be awarded for an initial period of 3 years. Two extension options of 2 years each are allowable but subject to further approval. From year 2 the contract price will be subject to annual renewal negotiations and may fluctuate which is normal for insurance contracts. The renewal costs will be determined by a number of underwriting factors including building sums insured, acquisition and disposal of property and claims history. Annual renewal negotiations will generally have an impact on the renewal costs, which can decrease or increase due to the aforementioned factors. If the Council decides to extend the Contract by a further 2 years this will be on the basis that the Council will be offered a discount on the annual premiums/ fees for that period since it is an existing customer under the Contract.

4.2 The annual cost of the contract is estimated at £291,325 including Insurance Premium Tax per annum and with variations in respect of the Birkenhead Commercial District. Cost will fluctuate with any changes to properties insured. This has resulted in an increase in insurance rates from last year which were £283,626 including Insurance Premium Tax.

4.3 Costs have increased due to the increased in building reinstatement values due to the rebuild cost assessments mentioned in point 3.4 above. The increase in cost can be met from within the insurance fund budget

5.0 LEGAL IMPLICATIONS

5.1 The proposals within this report are in accordance with the Council's Contract Procedure Rules and the Contract procedure Rules 2015. The Council carried out a tender exercise following the further competition procedure under the YPO Framework with the agreement of the Council's Corporate Team in accordance with the contract procedure rules and public procurement regulations. The award of the Contract will be made on the basis of the most economically advantageous scoring that is currently governed by the Public Contracts regulations 2015.

5.2 This decision relates to the initial 3 year contract period only. A further officer decision notice will be produced at the appropriate time should a decision be made to extend the Contract by a further 2 years.

5.3 In accordance with paragraph 6 of Part 4 Section 4 of the Constitution, the decision is proposed to be excluded from removal of delegation rules as any delay likely to be caused by the process for removal of delegation and reconsideration due to the risk arising from any interruption to the continuation of insurance cover in respect of the Council's property related assets.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no direct resource, staffing, ICT and asset implications arising from this report.

7.0 RELEVANT RISKS

7.1 If the process outlined within this report is not followed the Council would be unable to fund alternative provision in the event of a major building loss or damage to its significant buildings. Accordingly, it is considered prudent in accordance with industry practice to insure and therefore limit the Council's risk exposures to known sums.

8.0 ENGAGEMENT/CONSULTATION

8.1 The decision to proceed to contract award has no specific consultation implications.

9.0 EQUALITY IMPLICATIONS

9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.

9.2 There are no direct equality impact implications arising from the award of this contract.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

10.1 There are no direct Environment or Climate implications arising from this report.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 There are no direct Community Wealth implications arising from this report.

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APPENDICES

Appendix A: Tender's received (Exempt)

This information in Appendix A is commercially sensitive and is restricted by virtue of Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as it is 'Information relating to the financial or business affairs of any particular person (including the authority holding the information).'

BACKGROUND PAPERS

Current Insurance policy documents
Confidential Marsh (Broker) Renewal Report October 2023

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Officer Decision Notice: Procurement of Property Related Insurance Policies (commencement of process)	3 rd April 2023