




Executive Decision Report

Decision maker(s) at each authority and date of Cabinet meeting, Cabinet Member meeting or (in the case of individual Cabinet Member decisions) the earliest date the decision will be taken	Full Cabinet Date of decision: 30 March 2015	
	Nicholas Holgate as Chief Executive has pre-delegated constitutional authority in respect of Insurance arrangements under Part 3 Section C – Functions delegated to Officers – Section 10 – “To effect all insurance cover, including the approval / acceptance of contracts for insurance cover”.	 THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
	Steven Mair – City Treasurer consultation with Councillor Caplan as required	 City of Westminster
Report title (decision subject)	AUTHORITY TO AWARD SHARED SERVICES MOTOR INSURANCE CONTRACT FOR LBHF, RBKC AND WCC FOLLOWING CAPITALESOURCING AND OJEU COMPLIANT TENDER PROCESS	
Reporting officer	Moyra McGarvey – Tri-Borough Director of Fraud, Audit, Insurance and Risk	
Key decision	Yes	
Access to information classification	Open report A separate report on the exempt Cabinet agenda provides exempt information about costs and evaluation of tenders.	

1. EXECUTIVE SUMMARY

- 1.1. The report analyses the tender responses to the procurement of Motor Insurance against four options with consideration of insurance premium costs and likely levels of self-financing required for claims where deductibles (excesses) are the options under consideration.
- 1.2. This procurement brings all three boroughs under the same insurance provider and enables the Issue of Motor Insurance certificates in the name of all three Boroughs jointly delivering cover that is any driver, any vehicle from any of the Three Boroughs of LBHF, RBKC and WCC both facilitating greater service integration whilst ensuring blanket cover and eliminating the possibility of oversight in compliance with insurance requirements.
- 1.3. Premium calculations and internal re-charges will continue to be based on the vehicle ownership and individual claims performance to avoid cross subsidy of other boroughs costs.

2. RECOMMENDATIONS

- 2.1. Based on the conclusions in Section 6 of this report “Options and Analysis” the following is recommended: -
- 2.2. **LBHF** – To approve the award of motor insurance and claims handling to Zurich Municipal in accordance option 1 (£250,000 self-retained deductible) on a three year long term agreement at an annual premium of £6,532.50 plus Insurance Premium Tax of £391.95 and claims handling services at £3,300 plus recoverable VAT at 20% (total contract award over 3 years £29,497.50 plus Insurance Premium Tax of £1,175.85).
- 2.3. **RBKC** – To approve the award of motor insurance and claims handling to Zurich Municipal in accordance option 1 (£250,000 self-retained deductible) on a three year long term agreement at an annual premium of £6,535.50 plus Insurance Premium Tax of £392.13 and claims handling services at £4,400 plus recoverable VAT at 20%. Total contract award over 3 years £32,806.50 plus Insurance Premium Tax of £1176.39.
- 2.4. **WCC** - To approve the award of motor insurance and claims handling to Zurich Municipal in accordance option 1 (£250,000 self-retained deductible) on a three year long term agreement at an annual premium of £13,425.75 plus Insurance Premium Tax of £805.55 and claims handling services at £9,180 plus recoverable VAT at 20%. Total contract award over 3 years £67,817.25 plus Insurance Premium Tax of £2,416.65.

3. REASONS FOR DECISION

- 3.1. The reason for these recommendations to award the contract following competitive tender is that the terms are the most economically advantageous

financial terms for all three boroughs to procure motor insurance as analysed and concluded in section 6 of this report “Options and Analysis”.

- 3.2. This contract award places all three boroughs on the same contract terms and conditions and enables coverage on the basis of any driver, any vehicle from any borough.

4. BACKGROUND

- 4.1. With reference to “CAB notification of the intention to procure insurance services for Motor Insurance” the three boroughs have historically transferred some or all the financial risks associated with own damage to vehicles or claims by third parties in accordance with Common Law and the provisions of the Road Traffic Act to external insurance providers.

- 4.2. The current insurance arrangements across the three boroughs are diverse with different terms and conditions in one case a different insurer altogether. The current contracts were aligned to all expire at 31st March 2015 to enable procurement on a shared borough basis in line with the other insurance arrangements administered by the Tri-Borough Insurance Service.

- 4.3. A competitive procurement exercise was undertaken under the “Restricted” procurement procedure requesting responses on the basis of four options; one for each of the current basis of contract for each borough and a fourth option which was considered pre-tender to possibly yield preferential terms: -

Option 1: - Comprehensive Insurance with a £250,000 deductible each and every claim with insurance company handling of third party insurance claims and in-house management of own damage claims. This is the current basis of RBKC insurance arrangements.

Option 2: - Comprehensive Insurance with a £100,000 deductible each and every claim with insurance company handling of third party insurance claims and in-house management of own damage claims. This was identified pre-tender as an option which may yield preferential terms given the claim experiences.

Option 3: - Third Party only insurance including claims handling with no deductible for claims from Third Parties but no insurance coverage or claims handling for own damage losses. This is the current basis of LBHF insurance arrangements.

Option 4: - Fully Comprehensive Insurance subject to £500 own damage excess in respect of Minibuses and larger CV's reducing to £250 in respect of owned cars and smaller CV's and £50 in respect of leased cars including full claims handling. This is the current basis of WCC insurance arrangements.

- 4.4. The invitation to tender document contained and disclosed all the claims experiences and consolidated them in a comparable spreadsheet to assist underwriter's consideration of terms. The ITT document is attached in Appendix A.

- 4.5. Consideration of current premium expenditure and claims experience forms part of the consideration under the “Options and Analysis” and “Financial and Resource Implication” sections below.

5. PROPOSAL AND ISSUES

- 5.1. To award the contract for motor insurance and claims handling following an OJEU tender compliant process following a “Restricted” procurement process with reference to the recommendations and the options and analysis undertaken to support those recommendations.

6. OPTIONS AND ANALYSIS

- 6.1. This is set out in the exempt report.

7. CONSULTATION

- 7.1. The report is following the Cabinet Member report route with appropriate consultation in accordance with that process for LBHF and referral for authorisation to the RBKC Chief Executive and WCC City Treasurer. The report applies equally to all Wards in LBHF, RBKC and WCC.

8. EQUALITY IMPLICATIONS

- 8.1 Not applicable.

9. LEGAL IMPLICATIONS

- 9.1. Under the Road Traffic Act there is a requirement to maintain the motor insurance for motor vehicles owned or operated.
- 9.2. Insurance is a Part A service under the Public Contracts Regulations 2006 as amended, which apply to current procurements, till the new Public Contracts Regulations kick in from 26th Feb 2015, and a competitive procurement using the Restricted Procedure would be in compliance with the Council’s obligations under the applicable Regulations.
- 9.3 Implications provided by Babul Mukherjee – Bi-Borough Legal Services, 020 7361 3410.

10. FINANCIAL AND RESOURCES IMPLICATIONS

10.1. These are set out in the exempt report.

11. PROCUREMENT IMPLICATIONS

11.1. Procurement process to comply with OJEU regulations following a “Restricted” procurement process. Final contract award to be approved in accordance with each Council’s Contract Standing Orders and the Tri-Borough Procurement Code.

11.2 Contract award process verified by in consultation with officers above (Mark Cottis – LBHF, Chetan Jethwa – WCC)

12. RISK MANAGEMENT

12.1. The recommendations contribute positively to the management of risk number 1, managing budgets on the councils shared service risk register. It is a legal requirement to have motor insurance and therefore procurement of insurance meets this need, market testing has been undertaken to achieve the best possible cost to the taxpayer, risk number 4. Benefits arising from the flexibility of the contracts will enable any driver from each of the councils with whom insurance has been placed to use its fleet therefore contributing positively to risk number 11, complexity of working with partners.

12.2. Implications provided by: Michael Sloniowski, Tri-Borough Risk Manager, Tel. 030 8753 2587.

Moyra McGarvey

Tri-Borough Director of Fraud, Audit, Insurance and Risk

LOCAL GOVERNMENT ACT 2000

LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Quotation papers (exempt)	Ray Chitty 07739315565	Finance & Corporate Governance

Contact officer(s): Ray Chitty – Tri-Borough Insurance Manager – Ray.Chitty@rbkc.gov.uk - 07739315565

APPENDIX A – ITT document for procurement of Motor Insurance Services