

AGENDA ITEM:

REPORT TO:	MERSEYSIDE FIRE & RESCUE AUTHORITY MEETING
DATE:	16TH DECEMBER 2010
REPORT NO.	CFO/218/10
REPORTING OFFICER:	ASSISTANT CHIEF EXECUTIVE & TREASURER
CONTACT OFFICER:	DEB APPLETON, DIRECTOR OF STRATEGY & MEMBER DEVELOPMENT, EXTN. 4402
OFFICERS CONSULTED:	SHARON MATTHEWS, DIRECTOR OF PROCUREMENT, EXTN. 4556 CAROLINE BERRY, INSURANCE OFFICER, EXTN. 4115
SUBJECT:	TENDER FOR INSURANCE SERVICES 2011

THERE ARE NO APPENDICES TO THIS REPORT

Purpose of Report

1. To request that Members approve the recommendations of this report relating to the delegation of the acceptance of tenders for Insurance services.

Recommendation

2. That Members are requested to:-
 - (a) Approve the proposal to give delegated authority to the Treasurer to determine the arrangements for the opening of tenders on behalf of the Authority;
 - (b) Approve the proposal to give delegated authority for the acceptance of tenders and award of contract to the Clerk to the Authority, or in her absence the Deputy Clerk in consultation with the Treasurer and Chair to the Authority or their deputies in their absence.
 - (c) Note and approve the current and proposed levels of insurance cover and excess.

Introduction & Background

3. The Authority's insurance arrangements include the purchase of commercial insurance policies, with a current value of £493,000. The insurance service contracts in respect of the main insured risks expire on 31st March 2011.
4. Tenders are being sought for insurance services for a three year period, using the OJEU negotiated tender procedure, in conjunction with Greater Manchester Fire and Rescue Authority as agreed by the Authority at its meeting on 30th September (CFO/157/10).
5. The Authority requires an integrated service which includes the provision of insurance covers and other activities such as the inspection of engineering equipment. The providers of such services must not only be able to demonstrate that they have personnel with the relevant technical skills and experience but also a full understanding of the general requirements of this Authority.
6. It is anticipated that the limited number of insurers who will respond to the Authority's specification will offer differing terms and not just differing prices.

It is also the insurance industry's practice not to provide firm quotations until a short time prior to renewal.

Collaborative Procurement with Greater Manchester Fire Service

7. The Authority has agreed to lead on the procurement for the purpose of the return of tenders. The deadline for the receipt of tenders is 26th January 2011. Due to the tight timescales that can arise from the process, appropriate delegations are sought to ensure continuity of insurance cover. It is proposed that tenders are returned to MFRS as a single point of contact and that arrangements on behalf of the Authority for the opening and acceptance of tenders and award of contract are delegated as detailed in the recommendations above.

Excesses & Summary Insurance

8. Members will recognise that fully comprehensive insurance is expensive and that most public bodies carry a level of self insurance (an "excess").
9. There is a correlation between the level of self insurance for the Authority and the level of financial reserves it holds, since it needs to set aside a prudent sum of money to enable it to pay for potential claims not covered by insurance without affecting its financial plans.
10. In conjunction with brokers Heath Lambert, officers have reviewed the level of self insurance that the Authority holds, taking account of:
 - The relative cost increase in premium for reducing self insurance.

- The need to maximise flexibility in the availability of reserves to manage the full range of financial risks the Authority will face in forthcoming years.
- The opportunity for making savings by aligning insurance requirements with Greater Manchester.
- The Authority's claims history and experience.
- Risk Assessment and management with the Authority.

The current situation and the proposed position are set out in the table below:

In particular Members attention is drawn to the fact that motor insurance is particularly expensive and that most Fire Authorities are either insured third party only or with very significant excesses. Merseyside currently only has a motor policy for third party cover.

Current & proposed insurance arrangements

Current				Proposed quotes			
Cover	Level of indemnity	Excess	Aggregate	Cover	Level of indemnity	Excess	Aggregate
Public liability	£25,000,000	£1,000,000	£4,000,000 (cross class)	Public liability	£25,000,000	£250,000 or £500,000	£4,000,000 & alternatives sought from market (cross class)
Employers liability	£25,000,000	£1,000,000	£4,000,000 (cross class)	Public liability	£25,000,000	£250,000 or £500,000	£4,000,000 & alternatives sought from market (cross class)
Officials indemnity	£1,000,000	£10,000	£4,000,00 (cross class)	Officials indemnity	£1,000,000	£10,000	£4,000,000 & alternatives sought from market (cross class)
Motor cover	Third party LOI - £25m commercial vehicles £50m any motor car.	N/A	N/A	Motor cover	Third party & Comprehensive with a £250k excess *	N/A	N/A

NB Although a quote for comprehensive cover with £250k excess has been requested this is likely to be prohibitively expensive as it will require additional costs to the authority to enable third party claims below the excess to be handled by a third party e.g. broker.

In addition it exposes the authority to the additional risk of expense as the excess also applies to the third party element of a claim which is currently fully insured.

Third party only cover ensures that all our legal liabilities in respect of damage or injury to third parties up to the limit of indemnity are met by the insurer whilst the Authority remains responsible for any damage to their own vehicles.

Equality & Diversity Implications

11. There are no equality and diversity implications arising from this report.

Financial Implications & Value for Money

12. Whilst it cannot be guaranteed it is hoped that the joint tender will reduce premiums or improve cover. The current cost of all insurance policies is £0.493M p.a.

Health & Safety and Environmental Implications

13. There are no health and safety or environmental implications arising from this report.

Contribution to Achieving Our Purpose:

“To Make Merseyside a Safer, Stronger, Healthier Community”

14. The process will ensure that the Authority is providing adequate insurance for the risks faced whilst providing value for money.