

**REQUEST FOR DMPC DECISION – DMPCD 2015 63****Title: Initiate Procurement - Insurance Renewal 2015/16****Executive Summary:**

This paper requests the approval for the initiation of procurement for the renewal of insurance cover.

**Recommendations:**

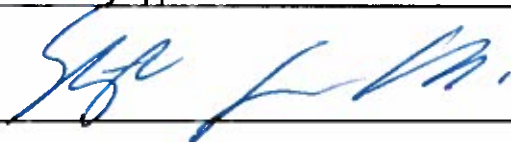
That the Deputy Mayor for Policing and Crime

1. Approves the initiation of procurement for insurance cover for general liability and terrorism property damage
2. Notes the proposed approach for other renewals as set out in Appendix 2
3. Requires an insurance strategy to be submitted before the decision on contract award for insurance cover is submitted, and
4. Requires the decision on contract award to be referred to DMPC

**Deputy Mayor for Policing And Crime**

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

**Signature****Date**

27/5/2015

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 As part of the on-going process of managing contracts and tendering/re-tendering for goods and services, Procurement Services identifies contracts which require DMPC approval for either extension or to initiate contract action to tender or re-tender for goods or services or to award contracts.

#### **2. Issues for consideration**

- 2.1. The current insurance policies which are the subject of this request cover damage to property due to terrorism (including business interruption), and a general liability insurance policy for injury to employees or members of the public, or damage to third party property.
- 2.2. There are a number of other lower value insurance policies covering such activities as motor fleet, emergency medical expenses and personal accident which do not form part of this decision. MOPAC also sets manageable excess levels within these policies and self-insures for smaller value claims.
- 2.3. MPS will need to develop an insurance strategy (within the context of a risk management strategy) prior to the award of contract. Decisions as to the levels of excess to be accepted and whether to self-insure or not should be taken within the context of a wider insurance strategy.
- 2.4. In carrying out the procurement of insurance cover MPS must ensure that a range of options for cover/excesses/deductibles and self-insurance are made available to DMPC to consider at contract of award stage, and that these are consistent with the strategy referred to at 2.3

#### **3. Financial Comments**

- 3.1. The cost of the proposed contracts will be funded from within existing budgets.
- 3.2. Full details are contained within the reports attached.

#### **4. Legal Comments**

- 4.1. The procurement activity identified within the report must be conducted in accordance with the Public Contract Regulations 2015, EU law and the MOPAC's Scheme of Delegation and Consent. It is recommended that Procurement Services are engaged in relation to the procurement strategy to be adopted, with further advice being obtained from DLS on specific issues that arise, as and when required.
- 4.2. In accordance with paragraph 5.12 of the MOPAC Scheme of Delegation approval to go out to tender for this contract must be obtained from the Deputy Mayor for Policing and Crime.
- 4.3. In accordance with paragraph 12.4 of the MOPAC Scheme of Delegation approval for the award of this contract must be obtained from the Director of Procurement Services (unless called in by the Deputy Mayor for Policing and Crime).

#### **5. Equality Comments**

- 5.1. There are no equality and diversity implications arising from this proposal.

## **6. Background/supporting papers**

- 6.1. Appendix 1a: MPS Report

**Public access to information**

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of **this** form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **part 2** form - YES .

If yes, for what reason: Commercial confidentiality.

**ORIGINATING OFFICER DECLARATION:**

	Tick to confirm statement (✓)
<b>Head of Unit:</b> Annabel Cowell has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
<b>Legal Advice:</b> The MPS legal team has been consulted on the proposal	✓
<b>Financial Advice:</b> The Head of Strategic Finance and Resource Management has been consulted on this proposal.	✓
<b>Equalities Advice:</b> Equality and diversity issues are covered in the body of the report	✓

**OFFICER APPROVAL****Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature



Date 27/05/2015.

## 2015 Insurance Renewal

### Report by Lee Tribe on behalf of the Commissioner

#### *EXECUTIVE SUMMARY*

This paper seeks approval to conduct tenders for significant and key forms of insurance cover, in protection of MPS property assets and potential legal liabilities, which are due to expire on 1st October 2015.

Approval is being sought as the cost of insurance may be in excess of the authority delegated by the MOPAC Scheme of Delegation.

Whilst market indicators suggest there is a risk that renewal terms will be at a higher cost, this paper seeks authority to tender in minimisation of these insurance premium costs.

Notwithstanding market indicators, the approach to the tender and design of the insurance policies will aim to challenge those market indicators and reduce the current expenditure

Approval to award the insurance contracts will be sought subsequently, by Virtual Joint Investment Board in September 2015.

#### **A. RECOMMENDATIONS**

The recommendation is that the MPS be given formal contract authority to tender for both policies 1 and 2 (below), within the financial parameters set out in Part 2.

The current insurance cover expires 1st October 2015; approval to award the contracts will be sought subsequently in September.

1 - Tender a cause-specific property and business interruption insurance policy, subject to financial limits set out in Part 2

2 - Tender a general liability insurance policy protecting MPS against legal liabilities for injury to employees or members of the public, or damage to third party property, subject to financial limits set out in Part 2.

Both of these policies to be tendered in an OJEU compliant manner, managed by our insurance broker. (The relevant policies and values are listed in Part 2).

Market engagement is already being conducted in order to secure the broadest possible market response.

## **B. SUPPORTING INFORMATION**

### Background and Scope

The MOPAC/MPS purchases insurance to mitigate the potential financial and business impact of risks by transferring them to an insurance company. The MOPAC/MPS delivers this transfer of risk through a programme of insurance policies, covering a range of potential legal liabilities that may be faced by the MOPAC/MPS and in protection of the physical and cash assets of MOPAC/MPS. This should be noted in the context that MPS has building property assets with a rebuilding cost in the region of £2bn and can be subject to unlimited legal liabilities arising from injury to persons and damage to third party property. These contracts fall due for renewal annually, mostly on 1st October.

Being a large organisation, the MOPAC/MPS accepts that it will bear the additional costs of smaller claims by covering its own risk up to a level through setting manageable excess/deductible levels and thus reducing the loading of premium from the market. The MOPAC/MPS uses its size and leverage to maximize savings through our contracted insurance brokers who have:

- a track record in public sector risks;
- use of long term agreements;
- low claims rebates; and
- and other options to drive down the cost of insurance.

This strategy has been successful in contributing to the control of the cost of the insurance programme.

The MOPAC/MPS employs a qualified in-house insurance professional who in liaison with the appointed Insurance Broker, ensures that all policies are suitable.

The insurance market will not quote more than three months in advance in an OJEU tender process and two months in advance otherwise. The nature of the market and the required timings to conduct the procurement does not match with MOPAC governance process. This paper seeks empowerment to conduct the procurement via tender action within agreed limits. Approval to award the insurance contracts will be sought subsequently, by Virtual Joint Investment Board in September 2015.

The recommendation is that MPS be given formal contract authority to tender for both policies 1 and 2, within the financial parameters set out in Part 2;

- 1 - Tender a cause-specific property and business interruption insurance policy, subject to financial limits set out in the appendix;
- 2 - Tender a general liability insurance policy protecting MPS against legal liabilities for injury to employees or members of the public, or damage to third party property, subject to financial limits set out in the appendix;

Both of these policies to be tendered in an OJEU compliant manner, managed by our insurance broker. Market engagement is already being conducted in order to secure the broadest possible market response.

### Summary of Options

This is contained in the exempt section of the report as it details the commercial cost that the MPS pays under this contract.

### **Benefits**

The benefit of the option is the continued transfer of the financial risk of damage to property following a cause specific incident leading to property damage, and legal claims for general liability.

## **C. OTHER ORGANISATIONAL & COMMUNITY IMPLICATIONS**

### **Equality and Diversity Impact**

There are no equality and diversity aspects to this contract.

### **Financial Implications / Value for Money**

Value for money can be achieved for the organisation (and the external stakeholder community) through the MPS transferring this risk following an OJEU tender in line with the recommendation (see part 2 for further details). The benefit of the option is the continued transfer of the financial risk of damage to property following a cause specific incident leading to property damage, and legal claims for general liability. There are no substantive risks arising from following the recommendation; the recommendation is itself a transfer of risk.

The risk of not agreeing to the recommendation is the financial risk of uninsured damage to property following an incident and uninsured legal claims for general liability falling to be paid from the funds of the MPS/MOPAC.

The benefit of the option is the continued transfer of the financial risk of damage to property following a cause specific incident leading to property damage, and legal claims for general liability.

### **Legal Implications**

The procurement activity identified within the report must be conducted in accordance with the Public Contract Regulations 2015, EU law and the MOPAC's Scheme of Delegation and Consent. It is recommended that Procurement Services are engaged in relation to the procurement strategy to be adopted, with further advice being obtained from DLS on specific issues that arise, as and when required.

In accordance with paragraph 5.12 of the MOPAC Scheme of Delegation approval to go out to tender for this contract must be obtained from the Deputy Mayor for Policing and Crime.

## Appendix 1A

In accordance with paragraph 12.4 of the MOPAC Scheme of Delegation approval for the award of this contract must be obtained from the Director of Procurement Services (unless called in by the Deputy Mayor for Policing and Crime).

### Consultation undertaken

The RACI table demonstrates the internal MPS stakeholder community and their level of interest on the project. It is not necessary that the external stakeholder community is informed of this tender opportunity prior to commencement.

Stakeholder	Nature of Interest in the project			
	Responsible	Accountable	To be Consulted	To be Informed
Finance		X		
Legal			X	
Property			X	

### Risk (including Health and Safety) Implications

There are no Health and Safety considerations.

### Environmental Implications

There are no environmental considerations.

**Report author:** Tim Murray Contractor Procurement

**Background papers:** None