

DECISION-MAKER:	Council
SUBJECT:	Tender - Corporate Insurance Programme
DATE OF DECISION:	27 th November 2025
REPORT OF:	COUNCILLOR LETTS CABINET MEMBER FOR FINANCE AND CORPORATE SERVICES

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY	
Appendix 1 - Insurance Premium Spend is not for publication by virtue of category 3 paragraph 10.4 of the Access to Information Procedure Rules as set out in the Council's Constitution. The information is exempt from publication as it includes information relating to the financial or business affairs of any particular person (including the Authority holding that information).	
BRIEF SUMMARY	
The council's current corporate insurance programme, provided under a 3 plus 2-year agreement, expires on 31st March 2025. A competitive tender exercise is therefore required to be undertaken for the placement of a new corporate insurance programme from 1 st April 2025.	
This paper seeks approval for the procurement and placement of a new 3 plus 2-year insurance arrangement from 1 st April 2025.	
RECOMMENDATIONS:	
(i)	To give delegated authority to the Executive Director Enabling Services and s151 Officer to procure and award appropriate insurance contracts via the YPO 'Insurance Services Framework Agreement' for up to 5 years from 1 st April 2025 after consultation with the Cabinet Member for Finance and Corporate Services.
REASONS FOR REPORT RECOMMENDATIONS	
1.	It is neither viable nor appropriate for the council to operate without having an appropriate insurance programme in place. The insurance programme needs to be in place from 1st April 2025 to ensure continuity of cover.
2.	The corporate insurance programme seeks to provide a suitable level of financial protection for the council, in respect of insurable losses, via a balance between self-insurance and external insurance cover.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	

3.	There are no other alternative 'risk financing' options available to local authorities.
DETAIL (Including consultation carried out)	
4.	The tender exercise is undertaken by the council's Risk & Insurance Manager in consultation with Procurement Services and the council's appointed insurance broker (Marsh) and is via the YPO 'Insurance Services Framework Agreement'. This compliant framework agreement has been used previously for both the selection and appointment of insurance brokers and for the purchase of other insurance covers. It has delivered good outcomes for the council in terms of both price and quality.
5.	In terms of scope, the key elements of the programme comprise the Property, Motor and Liability insurance covers. The property cover includes council 'Housing' and 'General Properties' (comprising administrative / operational buildings, the Civic Centre and the Itchen Bridge). Separate cover is arranged in respect of commercial leasehold properties owned by the council with the range of insured perils reflecting the terms of the leases. The motor cover is in respect of the council's commercial motor fleet and includes vehicles on hire to the council. The liability insurance covers respond in respect of claims for compensation for loss, damage or injury where it is alleged that the council has been negligent (i.e. that it has either done or failed to do something that has caused or contributed to the loss, damage or injury).
6.	For the purposes of the tender, the insurance programme is split into five individual 'Lots' (Property, Liability, Motor, Engineering Inspection & Insurance, and Business Travel) with bidders able to select those that they wish to respond to. Each Lot will then be evaluated on the basis of the 'Most Economically Advantageous Tender' in terms of price and quality (with the weighting varied according to the relevant importance associated with each individual class of business).
7.	The new insurance contract(s) will be a 3-year Long Term Agreement ('LTAs') with the option to extend for a further 2 years. The benefit of an LTA is that the council will receive a discount on the premium (typically 5%) in return for committing to renew with the provider for the duration of the agreement. All insurers operating in this market will do so via an LTA noting that, whilst it provides continuity, it does not prevent insurers increasing premium rates if, over time, the risk is considered to be deteriorating and/or there is a general market realignment of rates. In such circumstances the council would however have the right to go back out and test the market.
8.	<p>As part of the tender exercise a range of actions are undertaken to ensure that the most appropriate and cost-effective insurance programme is in place from 1st April 2025. These actions, undertaken in conjunction with Marsh, include:</p> <ul style="list-style-type: none"> • Undertaking a full and detailed review of the council's current insurance programme including a 'Risk Financing Optimisation' exercise (via Marsh) which is an actuarial type modelling exercise that seeks to identify optimum levels of self-insurance. The report considers the impact of adopting higher policy excesses (over and above those already in place), in terms of possible savings in the external premiums, against the additional funds that would be needed to be allocated to the council's

	<p>self-insurance fund. Alternative policy excess options are included in the tender document for consideration.</p> <ul style="list-style-type: none"> • Reviewing the type of cover and range of insured perils against peer authorities by benchmarking the council’s existing policy deductibles (excesses), limits and covers against peers of a similar standing. • Undertaking ‘claims cleansing’ to ensure that both the number and estimated value of outstanding claims quoted to potential insurers, as part of the ‘Invitation to Tender’ document, are accurate and up to date. • Marsh undertaking appropriate ‘market making’ activities to secure tender submissions from the widest range of potential insurance providers. • Developing a tender specification that reflects the information needs and requirements of the insurance market, allowing prospective insurers to deliver the best possible terms by providing accurate, relevant and detailed data presented in a concise way in order that insurance company underwriters are clear on what risks they are quoting for and, in turn, reducing the need for clarifications during the tender process.
9.	The public sector insurance market continues to be dominated by a small number of specialist insurers, with only a handful of insurers being prepared to write the main property, casualty and motor fleet risks with a small number active in specific areas such as engineering and travel. Overall, the public sector insurance market remains unattractive to many insurers.
10.	The insurance market is considered cyclical in terms of pricing, and it is currently considered to be a ‘hard market’. Marsh has however advised that there has been a noticeable moderation of average rate increases suggesting that the current prolonged hard cycle may have peaked. The operating environment is nevertheless expected to remain challenging in the short to medium term as insurers and reinsurers strive to keep pace with exposure and claims growth. It is therefore difficult to predict the market response to the tender however those insurers operating within the public sector market are maintaining a cautious approach with a clear focus on individual account performance, rigid application of policy terms and conditions, and stricter claims handling and claim reporting requirements.
11.	The responses from insurers in respect of each individual ‘Lot’ will be evaluated on the basis of the ‘Most Economically Advantageous Tender’ in terms of price and quality. The expectation is that the new contract(s) will be awarded by the end of February 2025 thereby allowing for a mobilisation period prior to the new insurance programme commencing on 1 st April 2025.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
12.	See Confidential ‘Appendix 1 – Insurance Premium Spend’ noting that the annual insurance premium spend is included in the council’s Medium Term Financial Strategy (‘MTFS’). Budgets for insurance premiums within the MTFS will increase annually in line with contract inflation or CPI.
<u>Property/Other</u>	
13.	None

LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
14.	Section 101 Local Government Act 1972 and Localism Act 2011.
15.	The Accounts and Audit (England) Regulations 2015 Part 3(c) which require a relevant authority to have a system of internal control which includes effective arrangements for the management of risk. The corporate insurance programme is a key element of the council's 'risk financing' arrangements.
<u>Other Legal Implications:</u>	
16.	None
RISK MANAGEMENT IMPLICATIONS	
17.	An insurance programme, that provides a suitable level of financial protection via a balance of self-insurance and external insurance cover, needs to be in place for 1st April 2025 to ensure continuity of cover.
POLICY FRAMEWORK IMPLICATIONS	
18.	None

KEY DECISION?	Yes
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WARDS/COMMUNITIES AFFECTED:	All
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<u>SUPPORTING DOCUMENTATION</u>	
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Appendices

1.	Confidential Appendix 1 - Insurance Premium Spend. This is not for publication by virtue of category 3 paragraph 10.4 of the Access to Information Procedure Rules as set out in the Council's Constitution. The information is exempt from publication as it includes information relating to the financial or business affairs of any particular person (including the Authority holding that information).
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Documents In Members' Rooms

1.	n/a
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Equality Impact Assessment

Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
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Data Protection Impact Assessment

Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.	Yes
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Other Background Documents

Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	Invitation to Tender Document	3
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