

Finance and Resources Committee

10.00am, Tuesday 27 March 2018

Edinburgh Trams Ltd Combined Liability Insurance Tender 2018

Item number	7.11
Report number	
Executive/routine	
Wards	
Council Commitments	

Executive Summary

This report seeks the approval of the Finance and Resources Committee to award the contract for the provision of Public and Products Liability (including Motor Fleet Third Party Liability) Insurance for Edinburgh Trams Ltd to Travelers Insurance Co Ltd.

The term of the contract is three years, with the option to extend for up to a further 24 months.

Over the five-year duration, the value of the contract has been estimated at £1,438,062.50 plus Insurance Premium Tax at the prevailing rate. The annual premiums are paid in full by Edinburgh Trams Ltd.

Edinburgh Trams Ltd Combined Liability Insurance Tender 2018

1. Recommendations

- 1.1 That the Finance and Resources Committee approves the award of the contract for the provision of Public and Products Liability (including Motor Fleet Third Party Liability) Insurance for Edinburgh Trams Ltd to Travelers Insurance Co Ltd from 31 May 2018 until 30 May 2021 with the option to extend for up to 24 months estimated at £1,438,062.50 plus Insurance Premium Tax at the prevailing rate. The annual premiums are paid in full by Edinburgh Trams Ltd.

2. Background

- 2.1 The current Public and Products Liability (including Motor Fleet Third Party Liability) policy came into force on 31 May 2014. At that time it carried a £10,000 third party property damage deductible (excess) only. At renewal in 2016 the insurers applied a £100,000 deductible on claims in respect of third party injury to pedal cyclists moped and motorcycle riders. These claims continue to be received at an average of one per month.
- 2.2 The current contract for the provision of Public and Products Liability (including Motor Fleet Third Party Liability) Insurance for Edinburgh Trams Ltd expires on 30 May 2018
- 2.3 The insurance policy is required to protect the liabilities of Edinburgh Trams Ltd.
The expiring contract was tendered on behalf of the Council by the insurance advisers at that time, Willis Ltd, through the Government Procurement Service Insurance Services Framework Agreement (RM958). This framework has expired and its replacement was found to be unsuitable for the purposes of this requirement.
- 2.4 There are currently no other tram networks in Scotland and therefore there was no opportunity to collaborate.
- 2.5 The claims history for this policy is poor and this allied to the uncertainty around the outcome of litigated claims involving injury to cyclists was likely to make the policy unattractive to insurers and would lead to premiums increasing significantly.
- 2.6 There are only five tram networks in the UK and, as such, insuring these is a niche market involving a small number of specialist underwriters. The asset values are

also high, meaning that only certain insurers will have a large enough capacity to absorb the risk.

- 2.7 Market analysis revealed that there may be only two insurers who have the capacity to underwrite this type of business.

3. Main report

- 3.1 This contract is for the provision of Public and Products Liability (including Motor Fleet Third Party Liability) Insurance for Edinburgh Trams Ltd.
- 3.2 This tender opportunity was advertised on the Official Journal of the European Union (OJEU) and the Public Contracts Scotland (PCS) portal on 19 January 2018.
- 3.3 The procurement process followed an open tender process due to the limited number of suppliers that can provide this service.
- 3.4 Following insurance best practice, the Price: Quality ratio of 90%:10% was recommended for the following reasons:
- As policy cover, must as a minimum meet the specification, Council wanted to drive the best commercial value from contract; and
 - Sub-deductible claims are currently handled separately by loss adjusters under a discrete contract.
- 3.5 The quality evaluation required evidence of bidders' knowledge and experience by responding to method statements which covered details of the scope of cover, service delivery, business experience, business continuity, fair working practices and community benefits.
- 3.6 The response to this procurement exercise was that two bids were received, however, only one of the bids was fully compliant with the tender documents, with the other being disqualified.
- 3.7 The evaluation scores are as follows:

Lot 1				
Tenderer	Price Score (90%)	Quality Score (10%)	Overall Tender	Overall Rank
Travelers Insurance Company Ltd	90	8.88	98.88	1

- 3.8 The pricing schedule was based on the annual premium, net of a Long-Term Agreement Discount and Insurance Premium Tax.
- 3.9 The contract will be for an initial period of three years. The date of commencement will be 31 May 2018 and run until 30 May 2021, with an option to extend for up to a further two years.
- 3.10 A Summary of Tendering the Process is provided at Appendix 1.

4. Measures of Success

- 4.1 The contract(s) will have several key performance indicators included which covers;
- Policy renewals;
 - Payment; and
 - Communications.
- 4.2 The contract will be managed by Insurance Services Team.

5. Financial impact

- 5.1 Due to the poor claims history, the uncertainty around litigated cyclist claims and the fact that there have been three rises in insurance premium tax in the last two years from 6% to 10% and then 12% and with further rises are likely, the Council had budgeted for an increase to current premiums with annual indexation. The response to this Procurement exercise has borne this out and as such premiums over this contract will generate an estimated annual increase of £52,715.50 against budget. This figure includes Insurance Premium Tax at the prevailing rate. The annual premiums are paid in full by Edinburgh Trams Ltd.
- 5.2 The costs associated with procuring this contract are estimated at up to £10,000.

6. Risk, policy, compliance and governance impact

- 6.1 An Insurance Services representative will be responsible for contract management and will monitor the performance of the contract throughout the term.

7. Equalities impact

- 7.1 There is no relationship to the public sector general equality duty to the matters described in this report and no direct equalities impact arising from this report.

8. Sustainability impact

- 8.1 Sustainable procurement can take a multitude of forms, however, for the purposes of this contract the Council concentrated on Community Benefits.
- 8.2 The contractor has to deliver from a menu of community benefits by spending a number of community benefits points (CBP) which is reflective of the contract value. The successful contractor had to spend 100 points and the benefit they chose to deliver was donating tools and materials to local schools.
- 8.3 Insurance Services will be responsible for ensuring that these benefits are realised over the life of the contract.

9. Consultation and engagement

- 9.1 No consultation or engagement was undertaken due to the limited scope of the contract.

10. Background reading/external references

- 10.1 None.

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11. Appendices

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

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Contract	Contract for the provision Public and Products Liability (including Motor Fleet Third Party Liability) insurance for Edinburgh Trams Ltd	
Contract Period	31 May 2018 to 30 May 2021 with an optional extension of up to 24 months to 30 May 2023	
Estimated Contract Value (including extensions)	£1,438,062.50 over five years	
Procurement Route Chosen	Open	
Tenders Returned	2	
Name of Recommended Supplier(s)	Travelers Insurance Co Ltd	
Price / Quality Split	Quality 10	Price 90
Evaluation Criterion and Weightings and reason for this approach	Criteria	Weighting (%)
	Scope of Cover	50
	Service Delivery	20
	Terms and Conditions	20
	Business Experience	5
	Business Continuity	2.5
	Fair Working Practices	2.5
	Community Benefits	Information purposes only
Evaluation Team	The evaluation team consisted of officers from the Council's Insurance Service.	