

Insurance and Claims Handling Contract

REPORT TO; the Corporate Director Strategic Resources; Gary Fielding

DECISION DATE: Monday 23rd August 2021

SUPPORTING ANNEX; This report includes a supporting Annex which contains exempt information as described in paragraphs 3 and 5 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended).

PROPOSED RECOMMENDATION

It is recommended that the Authority extends the current contract for Insurance and Claims Handling from 1st October 2021 to 31st March 2023, due to Local Government Reorganisation (LGR). A number of options have been considered, but the recommendation is to extend the existing procurement contract stating regulation 72 (1)(c) - Unforeseen circumstances based on the LGR decision.

BACKGROUND TO SUPPORT THE RECOMMENDATION

On 1st October 2016 North Yorkshire County Council and Zurich Municipal, Risk Management Partners Limited (including: QBE, AIG and Gallagher Bassett), Travelers Insurance Company Limited (including Gallagher Bassett) entered into agreements for the provision of insurance and claims handling (“Original Contracts”).

The Original Contracts are due to expire on 30th September 2021 and the service area has been looking at options to extend the Original Contracts for a further 18 months so that a full re-procurement can take place following the LGR.

Various options were considered including re-procuring to cover the period between now and LGR. However, the option to re-procure is no longer feasible based on the timescales alone. The service area has been working with the Authority’s insurance broker to understand the appetite from the supply insurance market on a short term contract to 31st March 2023. The feedback has been negative, insurers would prefer not to have a short term arrangement and the costs would be high to offset the fact that the new Authority will be tendering for insurance from 1st April 2023. The mobilisation costs and time for a short term arrangement would be significant.

The new Authority will start to look at the new insurance requirement shortly and this will need to be in place from 1st April 2023.

LEGAL AND GOVERNANCE COMPLIANCE

The Public Contracts Regulations 2015 (PCRs) 2015, Regulation 72 (1) (c) – Unforeseen Circumstances:

Application

Variations are permitted without the need to undertake a new procurement procedure where the need for modification has been brought about by circumstances that a diligent contracting authority could not have foreseen and the modification does not alter the overall nature of the contract.

The proposed extensions are required due to the upcoming local government reorganisation and in the circumstances this is considered to constitute “circumstances which a diligent contracting authority could not have foreseen”.

This unforeseeable circumstance exception only applies where the increase in price does not exceed 50% of the value of the original contract. The estimated additional spend under the proposed extensions is estimated to be £2,726 million for an 18 month extension. The original value of the contracts was £8,475,000 over 5 years. Accordingly, the proposed extensions represent an increase in spend of approximately 32% and so could fall within this exemption.

RECOMMENDATION

It is recommended that the Authority extends the current contract for Insurance and Claims Handling from 1st October 2021 to 31st March 2023, due to Local Government Reorganisation (LGR).