



Insurance Renewal

Committee Operations Committee

Date of meeting 4 May 2018

Date of report 16 April 2018

Report by Assistant Chief Executive

1. Object of report

To recommend the approval of the renewal of SPT's insurance policies and the award of corresponding contracts.

2. Background

SPT is required to hold insurance by law, due to contractual obligations and to mitigate risk. The policies proposed for renewal within this paper are those that are not currently subject to Long Term Agreements (LTA). To ensure that SPT has the most appropriate level of cover, policies are taken out in layers, which increase the cover available through the core policies e.g. there are four policies covering public / product liability insurance resulting in SPT having cover of £155 million. For the policies detailed within the paper the last total annual renewal price was £651,634.

3. Outline of proposals

A tendering exercise was undertaken through Public Contracts Scotland (PCS) for the renewal of SPT policies that are not currently under long term agreement. A total of 8 lots were tendered with some lots containing more than one option. All options were assessed under the same scoring regime, which was Price (60%), Quality of Service Delivery (30%), Relevant Sector Experience (5%) and Innovation/Value Added Services (5%). A summary of the tendering exercise for the chosen options is detailed below.

Lot 1: Property Damage, Business Interruption and Terrorism Insurance: £135m

The property damage policy provides cover for SPT's main physical assets including all buildings, plant & machinery, tunnels and rolling stock and in addition provides a level of cover for business interruption.

Two bids were received for lot 1 for a 36-month long term agreements (LTA) with the option to extend for a further two years. The tender evaluation results are shown in the table below.

Supplier	Quality Score	Price Score	Total Price + Quality	Ranking
QBE	40.0	60.0	100.0	1
RSA	32.5	34.1	66.6	2

It is proposed to renew the policy with QBE at an annual cost of £263,760 (incl Insurance Premium Tax (IPT)), with a total cost of £1,318,800 over the potential 5-year policy period.

Lot 2: Combined Liabilities: £25m (Employee Liability) and £20m (Public and Product Liability)

The combined liabilities policy provides cover for Employee Liability and Public and Product Liability. The policy ensures that SPT has the required statutory insurance cover for employees, cover for the traveling public that utilise our services and third parties in general.

Three bids were received for lot 2 for a 36-month long term agreements with the option to extend for a further two years. The tender evaluation results are shown in the table below.

Supplier	Quality Score	Price Score	Total Price + Quality	Ranking
Travelers	40.0	60.0	100.0	1
Swiss Re	40.0	53.2	93.2	2
RSA	40.0	37.8	77.8	3

It is proposed to renew the policy with Travelers at an annual cost of £132,934 (incl IPT), with a total cost of £664,670 over the potential 5-year policy period.

Lot 3: Public / Product Liability 1st Excess Layer: £30m over £20m

The public / product liability excess layer policy increases SPT's insurance cover for public / product liability by £30 million to a total of £50 million.

Only one bid was received from Chubb via RMP on a 3-year long term agreement with the option to extend for a further two years. The annual cost of the policy is £42,000 (incl IPT), with a total cost of £210,000 over the potential 5-year policy period.

Lot 3: Public / Product Liability 2nd Excess Layer: £50m over £50m

The public / product liability excess layer policy increases SPT's insurance cover for public / product liability by £50 million to a total of £100 million.

Only one valid bid was received for this policy, which was from AIG. It is proposed to renew the policy with AIG an annual cost of £39,200 (incl IPT). No long term agreement option was submitted.

Lot 3: Public / Product Liability 3rd Excess Layer: £55m over £100m

The public / product liability excess layer policy increases SPT's insurance cover for public / product liability by £55 million to a total of £155 million.

Only one bid was received from QBE and therefore it is proposed to renew the policy with QBE at an annual cost of £18,480 (incl IPT). No long term agreement option was submitted.

Lot 4: Employers Liability Excess Layer: £25m over £25m

The employers liability excess layer policy increases SPT's insurance cover for employers liability by £25 million to a total of £25 million.

The tender evaluation results are shown in the table below for the two bids received.

Supplier	Quality Score	Price Score	Total Price + Quality	Ranking
AIG	40.0	60.0	100.0	1
RMP	40.0	6.0	46.0	2

It is proposed to renew the policy with AIG at an annual cost of £2,800 (incl IPT). No long term agreement option was submitted.

Lot 5: Directors & Officers Liability Indemnity: £5m

The directors and officers policy provides personal cover to directors and officer of SPT should they be subject to claims from a third party that arise through the fulfilment of their duties.

The tender evaluation results are shown in the table below for the two bids received.

Supplier name	Quality Score	Price Score	Total Price + Quality	Ranking
RSA	31.3	60.0	91.3	1
QBE via RMP	40.0	28.9	68.9	2

It is proposed to renew the policy with RSA at an annual cost of £6,748 (incl IPT).

Lot 6: Professional Indemnity: £5m

The professional indemnity insurance provides protection for liabilities arising through the alleged provision of inadequate advice or services to one of SPT's customers.

Only one valid bid was received from QBE via RMP and therefore it is recommended to renew the policy with QBE via RMP under a 3-year long term agreement with the option to extend for a further two years. The annual cost of the policy is £7,320 (incl IPT) with a total cost of £36,600 over the potential 5-year policy period.

Lot 7: Crime: £5m

The crime policy covers SPT against wrongful acts committed by employees and fraudulent acts committed by any other person.

The tender evaluation results are shown in the table below for the two bids received.

Supplier	Quality Score	Price Score	Total Price + Quality	Ranking
QBE via RMP	32.5	60.0	92.5	1
RSA	40.0	46.2	86.2	2

It is proposed to renew the policy with QBE via RMP on a 3-year long term agreement with the option to extend for a further two years. The annual cost of the policy is £6,382 (incl IPT) with a total cost of £31,910 over the potential 5-year policy period.

Lot 8: Engineering

The engineering policy ensures that SPT's plant, machinery and equipment are inspected on a regular basis.

Only one bid was received from HSB via RMP and therefore it is recommended to renew the policy with QBE at an annual cost of £18,100 (incl IPT), but with a 5-year long term agreement bringing the total cost to £90,500. The annual fee payable will be subject to an RPI increase annually and will also vary depending on the plant currently held by SPT.

Long Term Agreements

The price of all policies held under LTA's can vary from year to year depending on the overall sums insured or estimates upon which the premium has been based e.g. employee numbers vary year on year and this has an impact on the price of employee liability insurance.

4. Conclusions

The total annual cost of the proposed renewals is £537,734. When compared to the current premiums paid this represents a total saving of £113,901 in financial year 2018/19.

5. Committee action

The committee is recommended to award: -

- Lot 1, Property Damage, Business Interruption and Terrorism Insurance to QBE on a 3-year long term agreement with the option to extend for a further two years at an annual cost of £263,760 (incl IPT), and a total cost of £1,318,800 over the potential 5-year policy period;
- Lot 2, Combined Liabilities to Travelers on a 3-year long term agreement with the option to extend for a further two years at an annual cost of £132,934 (incl IPT) and a total cost of £664,670 over the potential 5-year policy period;
- Lot 3, Public / Product Liability 1st Excess Layer: £30m over £20m to Chubb via RMP on a 3-year long term agreement with the option to extend for a further two years at an annual cost of £42,000 (incl IPT) and a total cost of £210,000 over the potential 5-year policy period;
- Lot 3, Public / Product Liability 2nd Excess Layer: £50m over £50m to AIG at an annual cost of £39,200 (incl IPT);
- Lot 3, Public / Product Liability 3rd Excess Layer: £55m over £100m to QBE at an annual cost of £18,480 (incl IPT);
- Lot 4, Employers Liability Excess Layer: £25m over £25m to AIG at an annual cost of £2,800 (incl IPT);
- Lot 5, Directors & Officers Liability Indemnity to RSA at an annual cost of £6,748 (incl IPT);
- Lot 6, Professional Indemnity to QBE via RMP on a 3-year long term agreement with the option to extend for a further two years at an annual cost of £7,320 (incl IPT) and a total cost of £36,600 over the potential 5-year policy period;
- Lot 7, Crime to QBE via RMP on a 3-year long term agreement with the option to extend for a further two years at an annual cost of £6,382 (incl IPT) and a total cost of £31,910 over the potential 5-year policy period.; and
- Lot 8, Engineering to HSB on a five-year long term agreement with an approximate annual cost of £18,100 and an approximate cost of £90,500 over the 5-year contract period.

6. Consequences

Policy consequences	<i>None</i>
Legal consequences	<i>Contract notice is not required to be posted in OJEU and the award is not subject to the statutory standstill period as this was a regulated process but unsuccessful bidders will be advised in the normal manner.</i>
Financial consequences	<i>The annual cost of £537,734 can be contained within the 2018/19 approved revenue budget for insurance and represents a saving against prior year actual and current year budget.</i>
Personnel consequences	<i>None</i>
Equalities consequences	<i>None</i>
Risk consequences	<i>Having adequate insurance cover in place mitigates risk for SPT.</i>

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