



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

TENDER FOR MOTOR INSURANCE

Report of the Chief Fire Officer

Agenda Item No:

Date: 5 April 2013

Purpose of Report:

To ask the Finance and Resources Committee to note the recent tender for motor insurance and subsequent award of contract.

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1. BACKGROUND

- 1.1 Members will be aware that the existing motor insurers had decided to terminate their long term agreement with the authority and significantly raise their premiums.
- 1.2 As a result it was decided to run a formal tender and also to consider the retention of additional risk via the use of an internal insurance fund. The Authority's brokers carried out an exercise and concluded that the use of an insurance fund was not appropriate and this was reported back to Members.
- 1.3 This report sets out the results of the subsequent insurance tender.

2. REPORT

- 2.1 The Director of Finance and Resources was keen to consider the effect on premiums of retaining higher levels of risk within the service by using a combination of higher deductibles and stop losses to derive an acceptable level of risk and lower premiums.
- 2.2 The market was therefore asked to consider each and every deductibles of £1,000 and £100,000 along with a stop loss on higher deductibles of £200,000. in lay terms what this means is that the market was asked to quote on excesses of £1,000 and £100,000 but with the proviso that if an excess of £100,000 was to be agreed then the maximum exposure of the Authority to risk would be £200,000.
- 2.3 In addition to the insurance provision the Authority was also looking for a positive contribution to be made by the insurer to assisting the Authority in the management of road risk and it is on this issue that the tender has turned.
- 2.4 The first decision was whether to consider the £100,000 deductible option and whether the consequent reductions in premiums were worth the additional risk.
- 2.5 The most attractive premium received for a £100,000 deductible and a £200,000 stop was from Zurich Municipal (ZM) at £69,547 per annum. However, the brokers assessment of the total cost of risk under this option would need to include the likely payments from the deductible which have been estimated at somewhere between £120,000 and £170,000 although the Authority's Risk Manager fears that this could be higher given the very latest claims history. Nevertheless the stop loss would ensure that total losses do not exceed £200,000, which means the worst case total cost of risk would be £269,547 under this option.
- 2.6 In contrast the lowest price tender for a £1,000 deductible came from ZM at a premium of £241,606 showing that the premium differential is indeed significant.

- 2.7 The option for the £100,000 deductible would only be a valid choice, however, if the Authority felt that claims will not exceed the stop loss and given current performance this seems unlikely. This is why the Risk Management advice in relation to reducing road risk is required.
- 2.8 The preferred option therefore is not to take a lower premium and seek to reduce claims to make that decision viable, but to take the lowest risk option of the higher premium and then work with the insurers to drive claims down to make a higher deductible option more viable in the future.
- 2.9 The decision which then remains is which insurer to select. A scoring mechanism was devised by the Brokers which took a number of factors into account. This can be seen in the Brokers report provided in full as Appendix A. They conclude that the best all round offering comes from QBE offered by Risk Management Partners in the sum of £250,200 which has been accepted.
- 2.10 Although this tender was £9,000 greater in cost it did represent the best overall value tender due primarily to the quality of the Risk Management offering.

3. FINANCIAL IMPLICATIONS

It was always anticipated that motor insurance premiums would rise significantly in 2013/14 and provision has been made within the budget.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no human resources implications arising from this report. However, there may be learning and development requirements in terms of the longer term implications of road risk reduction.

5. EQUALITIES IMPLICATIONS

There are no equality implications arising from this report.

6. CRIME AND DISORDER IMPLICATIONS

There are no crime and disorder implications arising from this report.

7. LEGAL IMPLICATIONS

There are no legal implications arising from this report.

8. RISK MANAGEMENT IMPLICATIONS

The acquisition of motor insurance effectively transfers risk to the private sector and so represents a significant control measure.

9. RECOMMENDATIONS

That Members note the appointment of QBE via Risk Management Partners as the Authority's motor insurers for 2013/2014.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

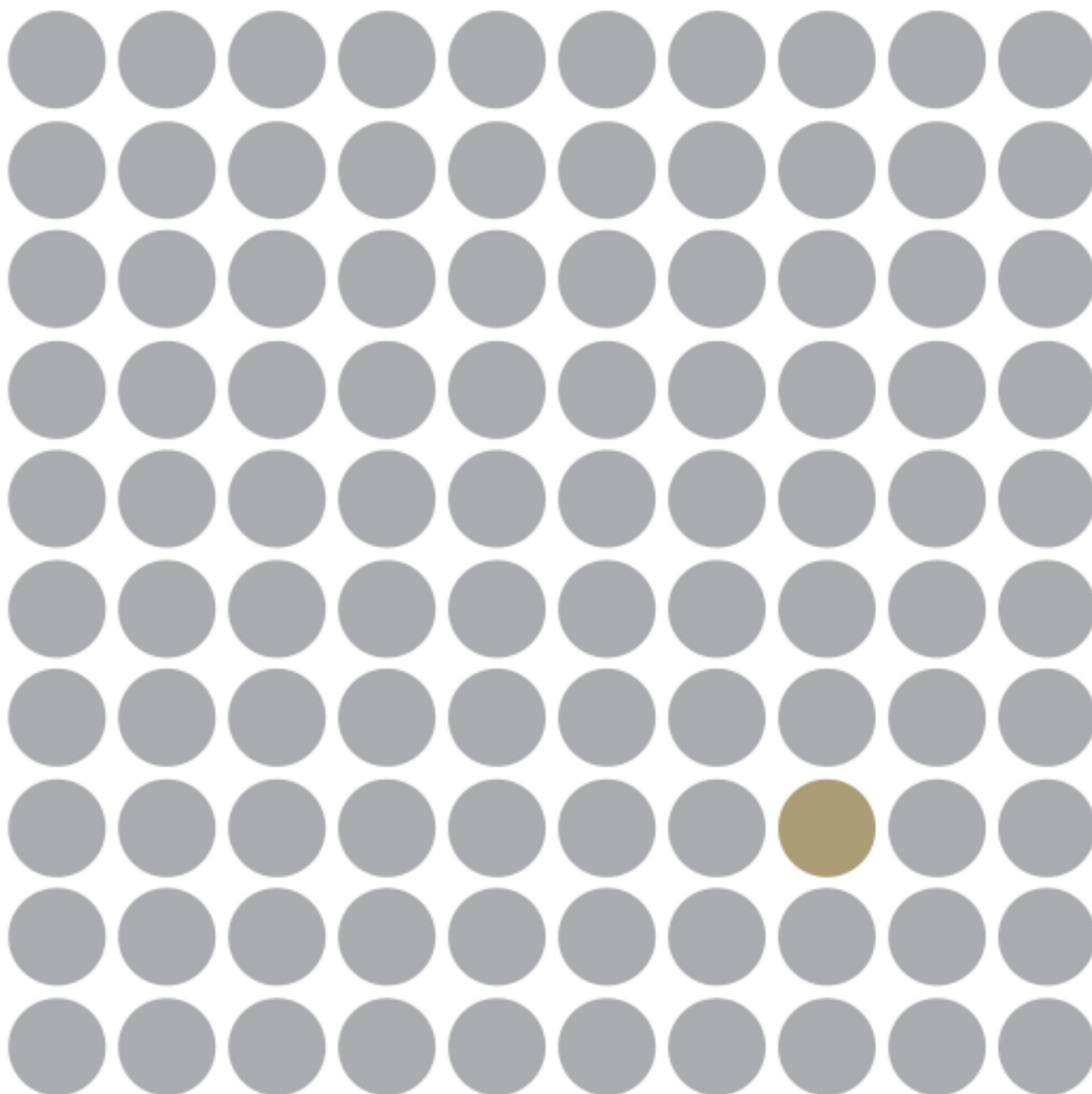
None.

Frank Swann
CHIEF FIRE OFFICER

Nottinghamshire and City of Nottingham Fire Authority and Nottinghamshire Fire and Rescue Service

2013 Insurance Motor Tender Evaluation Report

13 March 2013



Gallagher Heath

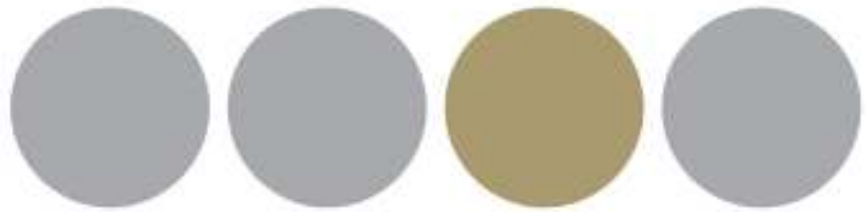
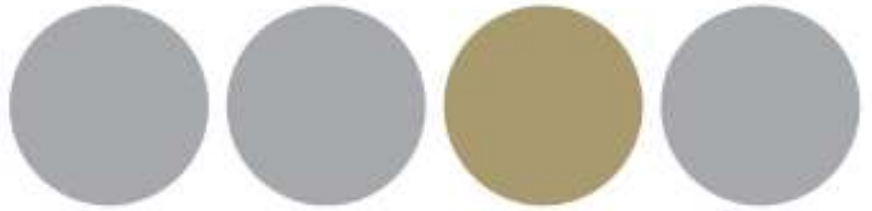


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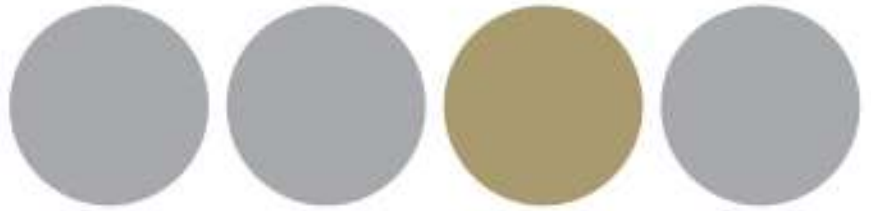
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Gallagher Heath acts as an Insurance Broker, and provides consultancy services to our clients. Our role is to act as your agent to advise you on insurance matters and to recommend and arrange suitable insurance cover.



1 Executive summary

Introduction

We are pleased to provide our 2013 Insurance Tender Review Report for Nottinghamshire and The City of Nottingham Fire Authority and Nottinghamshire Fire and Rescue Service (NFRS). The writer would like to place on record his thanks for the work carried out by Sabbah Janvier of Gallagher Heath for the writing of the Invitation to Tender and also Mark Jarman in obtaining, clarifying the data required to complete the Invitation to Tender.

The objective of this exercise was to obtain the most competitive insurance premiums for the best available cover for the Authority in line with the Award Criteria set. We have now completed our analysis and we feel confident that this has been achieved.

We wish to highlight a number of key benefits to the Authority through this exercise: -

- A **thorough analysis** of insurance coverage has been undertaken resulting in a substantial improvement to the overall design of the insurance programme
- A **compliant tender exercise was completed** enabling the Authority to be confident that they are purchasing a competitively priced insurance programme.

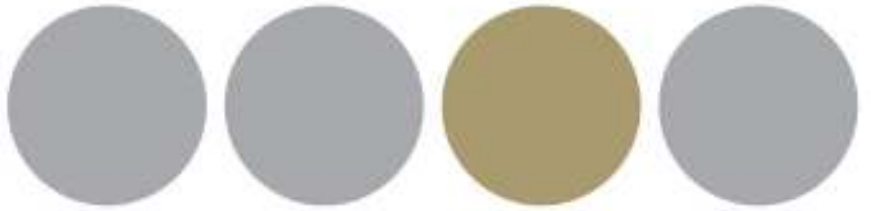
Insurance Market Response

The current insurance market remains difficult for placing “unusual” motor fleets in isolation and Fire Service fleets are particularly difficult. The exposure is such that large losses can be expected but are infrequent. This is at odds with the majority of car or van fleets which have regular small losses and can more simply be considered as attritional risks.

Due to this, there is generally a reticence from Insurers to offer quotations for a Fire Service Fleet in isolation and this has remained true for Nottinghamshire Fire & Rescue.

Confirmation of acceptance

We trust that you will find our proposals / recommendations acceptable and ask that you confirm acceptance by email so we can ensure cover is in place by the expiry of your current policies on 31st March 2013. In order to comply with the Public Procurement rules a decision will be required no later than 21st March in order to comply with the Alcatel Standstill period. Gallagher Heath will issue the



Intention To Award letters, Award letters and the Contract Award Notice once the Authority have confirmed their final decision.

Once the cover is in place you will receive policy documentation which will provide you with full details of the contracts.

The policy wordings may contain onerous clauses including warranties or conditions precedent to liability. It is essential that you read the policy wording and acquaint yourself with all terms and conditions including any such onerous clauses.

This insurance policy will be subject to the Law of England and Wales.

Signed:

Peter Fulthorpe

Client Director

For and On Behalf of Gallagher Heath

25 February 2013



2 Basis of renewal quotations

Marketing strategy

For each class of business, our advice is based on one of the following marketing strategies. The approach used for this renewal is noted within each following class of business section.

Fair analysis	This means we have used our professional judgement to decide which insurers to approach to obtain quotations and our selection of the quotations to put forward to you is based on our assessment of cover provided, price and other relevant features.
Limited number of insurers	Our search for a policy to meet your requirements has involved a limited number of insurers. We would be happy to discuss with you the scope and outcome of our search. You can ask us, at any time, for a list of the insurers we use.
Single insurer	Our search for a policy to meet your requirements was limited to a single insurer.

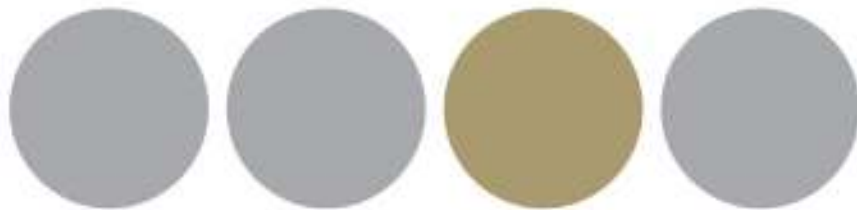
As we have undertaken a formal OJEU tender within the public procurement regulations, we consider this exercise to have complied with the Fair Analysis. We have included details of all bids received.

Gallagher Heath market security policy

Our objective is to place insurance for our clients with insurers possessing the financial strength to perform in today's economic environment. In practical terms, this means we select insurers that we believe will be able to meet the payment of a claim as and when it falls due. As a consequence, we regularly review publicly available information concerning insurer's financial standing. This information includes but is not limited to:

- approval by regulatory authorities;
- analysis by international credit rating agencies.

If for some reason an insurer does not meet our criteria, we will inform you and seek your specific approval before we place your insurance with that insurer. We take all reasonable care and skill in the selection of insurers. However, Gallagher Heath does not guarantee the solvency of any insurer with which we place our client's business.

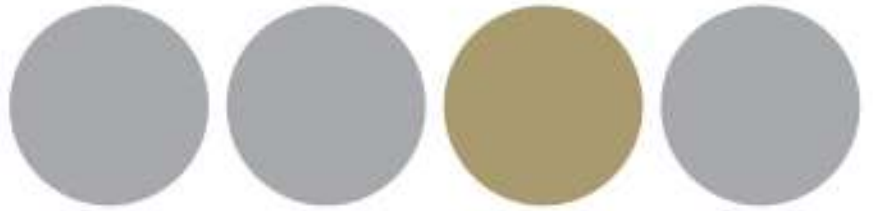


Information forming the basis of the tender specification

Our understanding of your insurance requirements in relation to this renewal of your existing cover is based upon the information that you have provided to us as follows:

Source	Dated
Various discussions, meetings and e-mail correspondence resulting in a final Invitation To Tender issued by Gallagher Heath	04/01/2013

We have also taken account of information provided during the renewal process by telephone conversations, emails, letters and at meetings. Where disclosed we have taken into account any relevant existing insurance arrangements that you may have.



3 Your duty of disclosure / claim reporting

Duty of disclosure

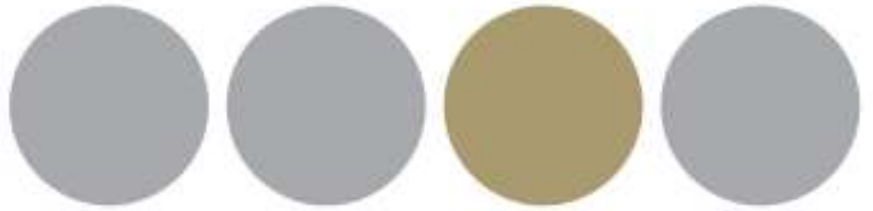
We would remind you that it is a legal requirement world-wide that anyone seeking a new policy of insurance, or cover for additional risks or renewal under an existing policy, must disclose any information that might influence the insurers in fixing the premium or determining whether to accept the risk. Under English law, failure to do so may entitle insurers to avoid cover from inception and seek repayment of paid claims. If you are in any doubt as to whether information is material, you should disclose it.

Claim reporting

You have elected to deal direct with Insurers for claims handling. We understand that this arrangement is to continue.

Should you have any issues or concerns relating to any claims please contact your appointed Client Director for assistance and guidance.

Full details of claims handling procedures are included within the Insurers policy and/or quotation documents. We would remind you that it is your duty to notify all claims and/or circumstances that may give rise to a claim promptly and within the terms and conditions of any claims notification clauses/provisions of the policy.



4 Quotations Received – Award Criteria

We provided you with sample scorings for consideration. This resulted in the scoring detailed below to be used for this tender exercise. We reiterate the entire criteria for reference.

Value For Money – Price (40 Marks)

Price to be scored 40 points for lowest tender with the remainder scored out of 40 as a percentage of the lowest as in the following example:

	Tender Price	Points
Insurer 1	£200,000	40
Insurer 2	£250,000	32.00
Insurer 3	£300,000	26.67
Insurer 4	£400,000	18.46

Insurer 2 points calculated as $40 \div 250 \times 200 = 32.00$

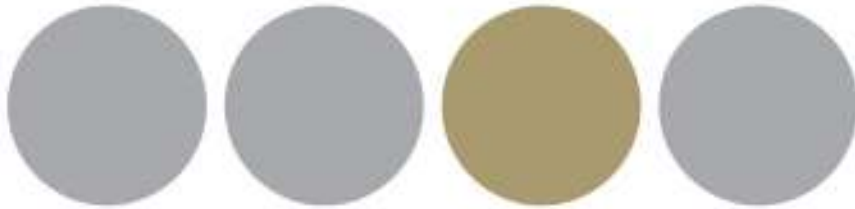
Insurer 3 points calculated as $40 \div 300 \times 200 = 26.67$

Insurer 4 points calculated as $40 \div 400 \times 200 = 20.00$

Value For Money – Coverage / Claims Handling (30 Marks)

Extent that the cover matches requirements of the specification (Underwriting, Claims Handling and insurance coverage). Scoring will be evaluated as marks out of 5 on the following basis: -

- 5 - Exceeds the specification
- 4 - Meets the specification fully
- 3 - Meets most of the specification
- 2 - Meets some of the specification
- 1 - Meets little of the specification
- 0 - Does not meet the requirements



Legal Panel – EM LawShare Member (10 Marks)

EM Lawshare firms are: Anthony Collins; DLA Piper; Browne Jacobson; Freeth Cartwright; Weightmans
All above will result in 10 marks, more than 1 will result in 7 marks, 1 will result in 2 marks and none will result in zero marks

Corporate / Strategic Risk Advice (10 Marks)

Demonstration of how the bidder will assist the Authority in managing the driver and fleet risk, reflecting the Authority's acknowledgement that this is one of their greatest risks and they would like to work with insurers to manage it.

Marks will be awarded as: -

- 10 - Best offering
- 7.5 - Second best offering
- 5 - Third best offering
- 2.5 - Fourth best offering
- 0 - Fifth best (or worse) offering

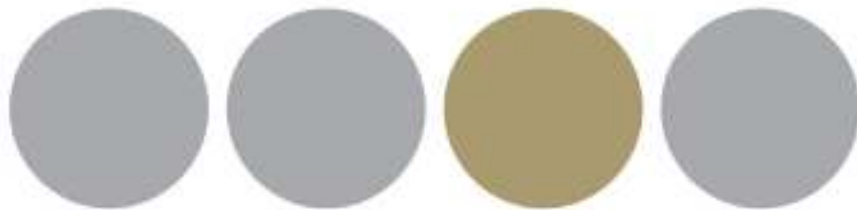
Bidders are allowed to provide suggestions of potential offerings to the Authority during the available time for questions. The Authority will advise of offerings that are NOT of interest but will not confirm the level of scoring that is to be applied to any offerings that are of interest.

Payment Arrangements within the excess (10 Marks)

Provide details of your proposals for handling payments of the policy excess by NFRS.

Marks will be awarded as: -

- 10 - Invoice or send statements as incurred
- 0 - Imprest or Deposit Account requirements



5 Tender Evaluation – Price (40%)

We now wish to commence the evaluation of the bids, looking at each Award Criterion in order.

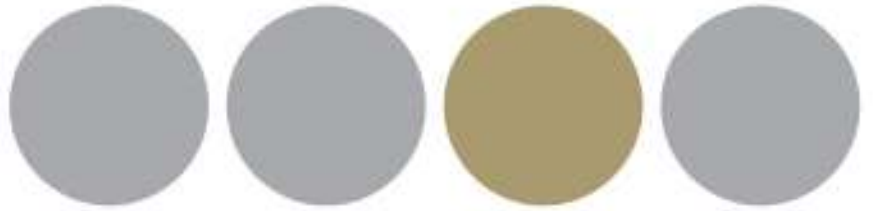
Your award criteria stated that marks would be awarded on the following basis.

Price to be scored 40 points for lowest tender with the remainder scored out of 40 as a percentage of the lowest as in the following example:

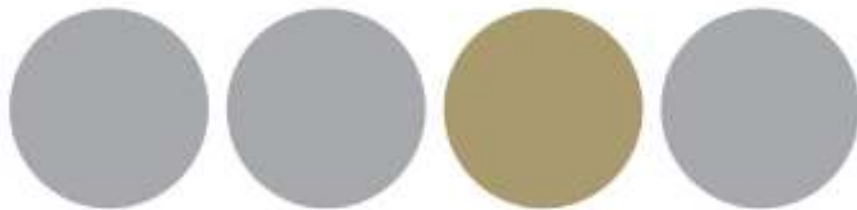
	Tender Price	Points
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Insurer 2 points calculated as $40 \div 250 \times 200 = 32.00$		
Insurer 3 points calculated as $40 \div 300 \times 200 = 26.67$		
Insurer 4 points calculated as $40 \div 400 \times 200 = 20.00$		

We firstly need to review the options available to the Authority and below we summarise the bids that have been submitted on the two options requested. We have had to clarify the ZM alternative option as their original premium was intimated to be £190,278.54. This appeared to be incorrect and they have advised that this was incorrectly based upon a £100,000 own damage excess only. However, we are somewhat surprised at how much their premium has subsequently reduced and would highlight this as a potential “second bid”. We did also ask RMP the same clarification and they confirmed that the premium was on based upon a £100,000 all claims excess.

Option	ZM (£)	RMP (£)
£1,000 Own Damage excess – Premium	241,606.33	250,200.00
£1,000 Own Damage excess – Claims Handling	Nil	Nil
£100,000 All claims excess – Premium	62,835.00	127,440.00
£100,000 All claims excess – Claims Handling	6,712.00	5,052.00
£100,000 All claims excess – Sub Total	69,547.00	132,492.00



From this it is very clear that ZM appear to be offering the most competitive premium for the £100,000 option, although we would again highlight that this premium was only received as part of a clarification and is substantially below their original quotation.



Total Cost of Option

In order to consider the most cost effective options to you, we need to look at how an increased excess would impact upon in-house reserving. You commissioned a fund review / programme design exercise in October 2012 for this reason which highlighted the following: -

Basis of cover	Optimistic (£)	Medium (£)	Pessimistic (£)
£100,000 excess	70,000	120,000	170,000

The review highlighted a level of reserving based on three scenarios. An optimistic position, a medium position and a pessimistic position. It would seem sensible to use the medium position as the rationale to consider throughout this report.

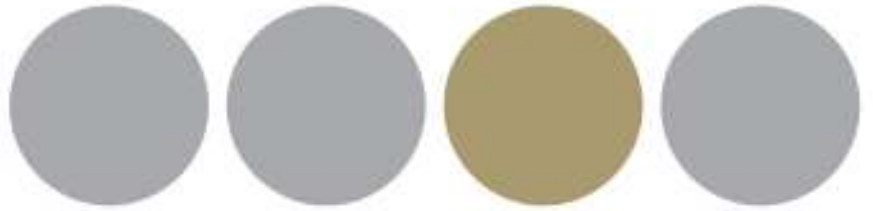
In addition, we have sought the potential level of retained risk at the £1,000 excess to ensure we are comparing these options on a like for like basis. This results in: -

Basis of cover	Optimistic (£)	Medium (£)	Pessimistic (£)
£1,000 excess	2,200	4,400	5,700

We now need to consider how these levels of self-insured retention would impact each of the quotations received.

Option 1	ZM (£)	RMP (£)
£1,000 Own Damage excess – Premium	241,606.33	250,200.00
£1,000 Own Damage excess – Claims Handling	Nil	Nil
Self-Insured Retention	4,400.00	4,400.00
Total premium, fee and retained risk	246,006.33	254,600.00

Option 2	ZM (£)	RMP (£)
£100,000 Own Damage excess – Premium	62,835.00	127,440.00
£100,000 Own Damage excess – Claims Handling	6,712.00	5,052.00
Self-Insured Retention	120,000.00	120,000.00
Total premium, fee and retained risk	189,547.00	252,492.00



Conclusion

If the revised bid from Zurich Municipal for the £100,000 excess basis is considered to be allowable then that option is clearly the most financially competitive.

You should also consider the increased volatility that such an excess could have to you, as two large claims would wipe out any savings made. However, ZM have incorporated an aggregate of £200,000 within their bid, which does restrict annual exposure beyond that level and you do not generally incur two such large claims on an annual basis.

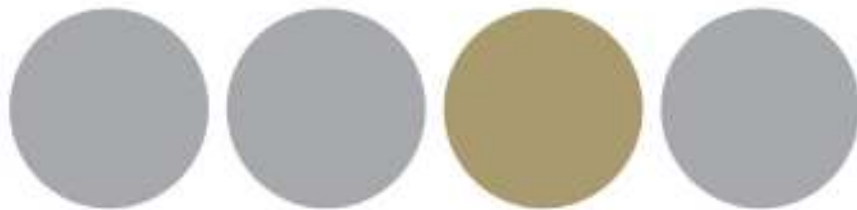
We would also highlight potential concerns about the longer term stability of the ZM option, as the programme design report intimated a competitive premium for the £100,000 excess option would be in the region of £80,000 + IPT. We are therefore surprised to see ZM offering quite such aggressive pricing and would query how sustainable this will be.

Presuming you would wish to accept the revised ZM bid based upon the £100,000 excess, we would propose to score the price element for the two £100,000 excess bids as:-

	ZM	RMP
Score (40%)	40.00	21.00

This is based upon the premium and claims element only of the £100,000 excess bids. If you wished to score both options – ie to include the £1,000 alternative, then we would need to consider the “total cost” sums instead and this would result in the following scores:-

	ZM	RMP
£1,000 excess	30.82	29.78
£100,000 excess	40.00	30.03



6 Value For Money – Coverage / Claims Handling (30%)

Cover

Clause	Zurich Municipal	RMP
Aggregate	£200,000	£265,500
Non-Ranking Excess	£1,000	£1,000
Indemnity to Principals	Yes	Yes
Medical Expenses Cover	£250	£250
Private Cars TPPD Limit	£50,000,000	£20,000,000
All Other Vehicles TPPD Limit	£10,000,000	£10,000,000
Accumulation Limit	Included within Premium	£2,000,000
Unlicensed Drivers Cover when a license is not required by law	Yes	Yes
Trailers – Attached / Detached (Comprehensive cover - Own trailers only)	Yes	Yes
Personal Accident Benefit - £10,000	£10,000	£5,000
Terrorism Limit	£5,000,000	Excluded
Continuing Hire Charges	£10,000	£5,000 (if no previous losses)
Airside Cover	Excluded	Can be included with completion of a proposal from and a potential extra premium.



Comments on Cover

Zurich Municipal

Zurich Municipal's quotation is largely in line with the requested cover.

ZM are offering significantly higher limits of indemnity for TPPD (Third Party Property Damage) in respect of Private Cars. However, the great risk to the Authority is on the Commercial Vehicles/Appliances and this mirrors RMP and the requested limit of £10,000,000.

Also Zurich have quoted with a £5m Terrorism Limit and they distinguished between Corporate Manslaughter with is limited to £5,000,000 and Manslaughter which is unlimited.

Zurich have provided a substantially lower aggregate than QBE through RMP which cap the Authorities losses to £200,000 per annum and again this is lower than that suggested in the Program Design Report by £35,000.

QBE via Risk Management Partners

QBE via RMP have provided cover in line with the ITT other then a lower limit for personal accident cover of £5,000.

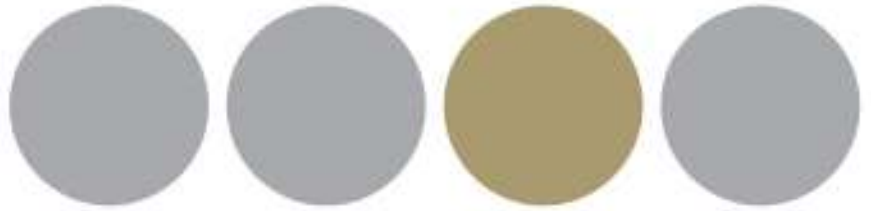
We have requested clarification regarding the application of Terrorism cover as the policy wording provided does not specifically include such but recent QBE policy wordings have done so.

Although cover has been added for Trailers whilst attached or detached it does not cover actual damage to the trailer itself while it is being towed, this could leave the Authority having to fund the replacement of a trailer if it was damaged beyond repair whilst being Towed (only relevant on the £1,000 own damage option). Trailers are only covered if there details are provided to the insurer.

We should highlight that QBE do apply a maximum damage limit of £2,000,000 and have provided an accumulation limit of £2,000,000 as requested.

QBE are also excluding cover for both earthquake and riot which again is leaving the Authority exposed to an accumulation risk. On clarification RMP confirmed that Earthquake can be included and Riot and Civil Commotion is only excluded in Northern Ireland.

QBE are applying a young and inexperienced driver excess. However if the Authority chooses the £100,000 deductible this is a negligible difference.



Claims Handling

Zurich Municipal

Zurich have provided a very detailed bid in how they will be dealing with your claims including claims process and also the biographies of Vicky Webster (Team Manager) and Sadie Hall (Customer Champion), both with a wealth of experience. Zurich deal with all Motor Claims the Motor Claims Centre (MCC) in Whitley, Fareham.

Zurich have provided details how they deal with fraud and offer good number for fraud savings 2009 (£18.6m across Zurich and £2.3m within ZM).

Looking at the particular claims questions Zurich have answered positively to both the claims handling questions and claims specification question the only points I feel is worth highlighting is:

Where you have asked for an input to the decision making they have said they would comply, but I would want more detail with regards to the process they would put in place to keep you advised and how they will take your points on board.

Also, they have confirmed that they will comply with the requirement to assist the authority with reducing future losses but I would want a lot more detail around the process that they would put in place and how they would work with the Fire Authority to comply with this requirement.

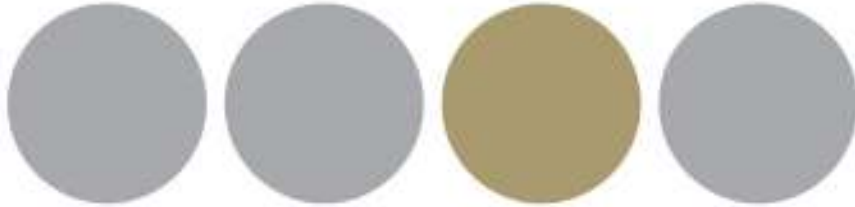
With regards to Claims Audits, again they are happy to comply but they stipulate that the claims service manager has to be present and it has to comply with data protection and I would want further information on what can be seen and what can't be seen.

The requirement that claims question/queries etc are deal with in 5 days. ZM don't agree to this, and state that they will deal with general enquiries within 10 working days and urgent enquiries within 48 hours. They will comply with the escalation process based on these timings.

Zurich have not directly answered the 4 questions on page 10 of the ITT, However they as stated above they have provided substantial information within their claims methodology which covers MOJ, training, case studies and reference are provided in the Tender Evaluation Document.

Risk Management Partners

RMP propose to provide claims handling through Gallagher Bassett claims handlers. Motor claims would continue to be handled out of the Tamworth Office and Biographies have been provided in Appendix 1



(page 36) with all proposed handlers, team managers, claims controller having between 2 and 28 year experience. RMP have provided a detailed methodology in the tender document in page 18 to 26 and also answer the specific claims questions in appendix 4 (pages 49-77) and go into detail on how your claims will be dealt with as well as how they will reduce costs, manage/monitor claims leakage as well as measures they are proposing to put in place such which all centre around reducing the cost of claims which will in turn reduce premium or the retained risk of the authority.

They have confirmed that they are happy to comply with the claims handling specification set out in the tender and provide a lot of detail on how this will be done (more than the ZM bid).

The Claims Handling Mythology goes in to good detail around reserving, provision of information via the Risk Fax system, Key Performance Indicators and how they are performing against these.

Underwriting

Zurich Municipal

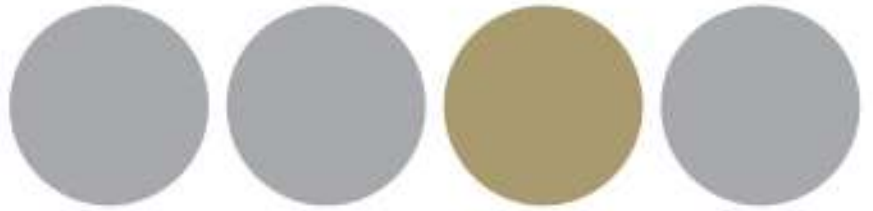
Within their tender evaluation document ZM have provided substantial detail on the Business Team that would manage the policy , the information that is available on line as well as developments for 2013 i.e. TWIMC letter being available on line.

ZM have provided positive answers to all of the Underwriting Specification's. However it is worth highlighting that although they have confirmed that they will advise the Authority at least 90 days prior to renewal they stipulate that the Fire Authority have to have sent all renewal documents back within 16 weeks placing the onus back on the Fire Authority.

Risk Management Partners

RMP have provided detail within the tender questionnaire on how they will deal with your account, account management and the team dealing with the Authority. RMP have not provided a direct response to your underwriting specification but do make reference to service standards in Appendix 2 which includes a 5 day turn around time for emails and fax's/correspondence, and phone calls as soon as possible .

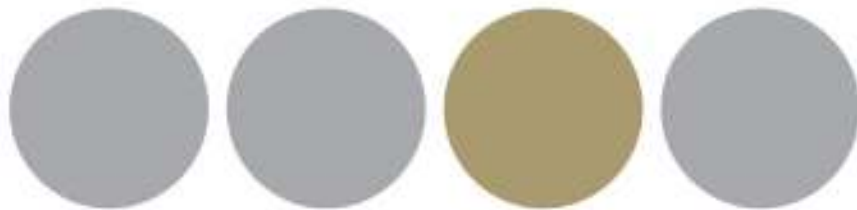
RMP have also provided a Key Performance Table on page 41 (appendix 2) which includes issue of documents prior to inception and renewal information 4 months prior to insurance. They do confirm that "at inception we commit to agree with you a Service Plan which meets our partnership needs; a plan which is designed around agreed timescales and measurable objectives".



PROPOSED SCORING

We suggest the following scoring is provided for this section.

Insurer	Score	Rationale
Zurich Municipal	(4/5) 24	<p>We feel this is a “very good” bid and if you look across Cover, Claims Handling and Underwriting the bid largely meets the specification and is not far away from being Tailored. Are where the bid is lacking is:</p> <ul style="list-style-type: none"> • Claims Handling Specification questions could be more detailed. • Airside Cover Excluded
RMP	(4/5) 24	<p>We feel this is a “very good” bid which largely meets the specification, however there are some concerns including: -</p> <ul style="list-style-type: none"> • PA Benefit only £5,000 • Potentially Terrorism is Excluded • Not directly answered the Underwriting Specification.



7 Legal Panel – EM LawShare Member (10%)

EM Lawshare firms are: Anthony Collins; DLA Piper; Browne Jacobson; Freeth Cartwright; Weightmans
All above will result in 10 marks, more than 1 will result in 7 marks, 1 will result in 2 marks and none will result in zero marks

Zurich Municipal

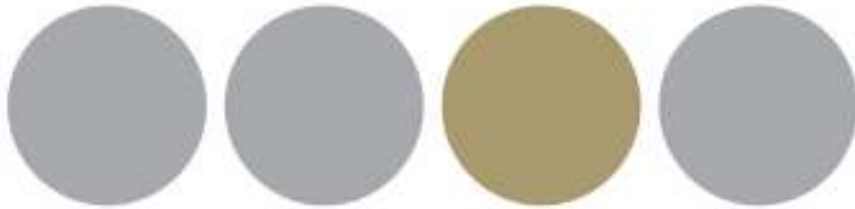
Have agreed that they are happy for you to use all of the above. However, only Weightmans are currently on their panel of Solicitors and they would be “keen to discuss and agree appointment of Solicitors where the Cost of a Claim is likely to become close to or exceeds the applicable ‘Deductible’ and/or is likely to be a ‘spend’ by Zurich”

Risk Management Partners

Again, RMP have agreed that they are happy for you to use your panel of Solicitors. However, for higher value claims and catastrophic losses there chosen approach would be to use one of their panel firms.

PROPOSED SCORING

Insurer	Score	Reason for score
Zurich Municipal	10	Have agreed that all of your panel of solicitors can be used.
Risk Management Partners	10	Have agreed that all of your panel of solicitors can be used.



8 Corporate / Strategic Risk Advice (10%)

Demonstration of how the bidder will assist the Authority in managing the driver and fleet risk, reflecting the Authority's acknowledgement that this is one of their greatest risks and they would like to work with insurers to manage it.

Marks will be awarded as: -

10 - Best offering

7.5 - Second best offering

5 - Third best offering

2.5 - Fourth best offering

0 - Fifth best (or worse) offering

Bidders are allowed to provide suggestions of potential offerings to the Authority during the available time for questions. The Authority will advise of offerings that are NOT of interest but will not confirm the level of scoring that is to be applied

Zurich Municipal

ZM have not provided any information on strategic risk management other than proving a Product List in Appendix E and only 2 products relate to Motor Risk Management and both these are Operations (Motor Report and Motor: Driving Safely Workshop).

Within their submission ZM have agreed to pass on any learning from regular meetings with the Fire Consortium on benchmarking/risk management/emerging risks, one example of this is providing Reinstatement/All Risks Insurance for New Dimension Pods as apposed to market value on a motor policy.

ZM will provide general risk management advise for free (specific services will be chargeable) but will provide free risk management training though the Claims Service Manager and also free advise on Risk Management Standards.

Risk Management Partners

RMP have offered a fleet and driver risk management review, this is designed to review the adequacy of policy and implementation of procedures in five key areas:



Gallagher Heath



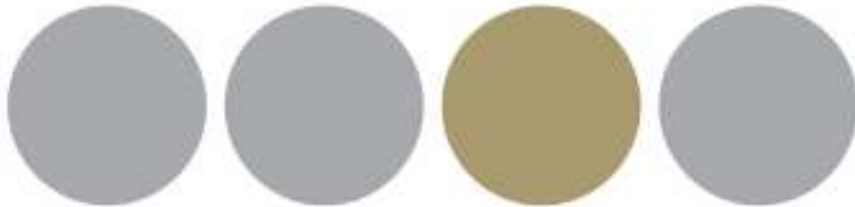
- Policy, responsibility and promoting a risk management culture
- Management of vehicle users
- Vehicle management
- Journey management and risk assessment
- Incident and claims management.

Following the review you will receive a report detailing key findings and recommendations. Scores attained will also be benchmarked against other similar authorities. The benefit is a resource to help you direct risk management efforts to best effect.

RMP are also offering a detailed analysis of your motor claims experience with the aim of identifying any key trends that impact your cost of risk. The results of this detailed analysis will enable the development of a clear action plan to address the causes of incidents and accidents and also to monitor the success of interventions implemented. They will also analyse and benchmark your approach to managing and improving driver behaviour by comparing your approach with other blue light clients.

They are also offering 4 risk management Days over the life of the contract. The Fire Authority will have access to a designated named risk control consultant who will work with you to allocate and deliver these consultancy days. These may be directed at projects (relevant to motor) and may include:

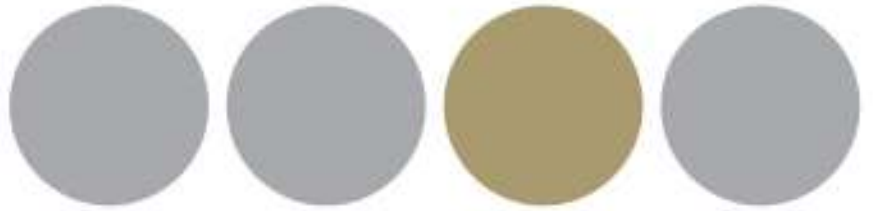
- Projects to address and follow-up on areas of significant risk exposure/loss experience identified during the risk profiling and/or claims analysis exercise
- Inspections, reviews and audits of key risk areas
- Training to raise awareness and understanding of significant risks and to develop skills needed to reduce or control risks
- Projects and training aimed at improving risk culture and resilience to risk events.



PROPOSED SCORING

RMP have offered a more specific offering that is to be centred around the risks of the fire authority based on the review carried out. RMP are offering 4 RM days that can then be used across the life of the contract (1.33 a year). ZM are offering training via the Claims Service Manager but these will be claims/process focused, the advantage being they are not limited.

Insurer	Score	Reason for score
Risk Management Partners	10	A Tailored response providing substantial detail substantial detail on the services offered and the best offering.
Zurich Municipal	7.5	As RMP's approach is more focused on the fire authority with a free driver risk management review it is felt this is the better proposal.



9 Payment Arrangements within the excess (10%)

Provide details of your proposals for handling payments of the policy excess by NFRS.

Marks will be awarded as: -

10 - Invoice or send statements as incurred

0 - Imprest or Deposit Account requirements

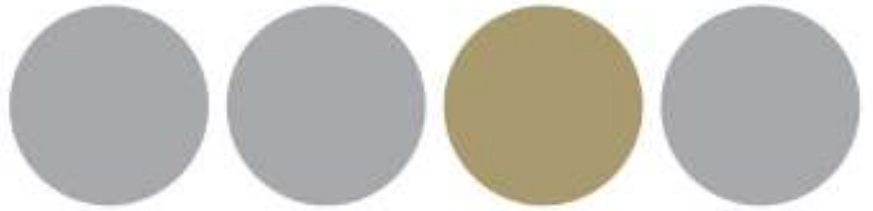
Zurich Municipal

ZM had not provided any information on this and I there for had to clarify. ZM confirmed that they would require an imprest account if the Authority had a deductible of £50,000 or more and would be happy to invoice for deductibles on anything under £50,000. Based on the clarification I have awarded ZM 10 marks for the £1,000 own damage option and 0 marks for the £100,000 option. However, This question made up a fundamental part of the tender and ZM did not provide any awnswes within their original ITT so the authority may wish to look at scoring ZM 0 on both the £100,000 and £1,000 option.

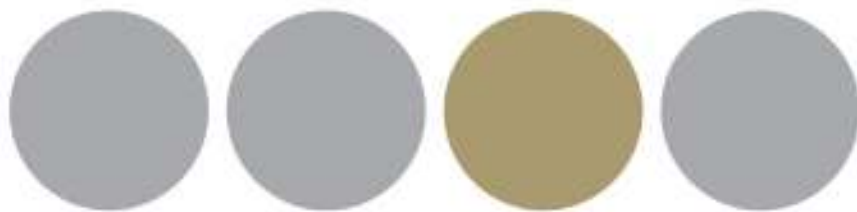
RMP

RMP have stated that they have the capability to provide for invoices or statements to cover excess payments and they agree to do this but would like to discuss the best fit for the Fire Authority is they are reappointed.

If you were to adopt the much higher deductible option then they could not fund those losses directly. An imprest may be unwieldy in those circumstances and RMP could invoke a voucher process that will enable you to pay losses directly below the £100K deductible upon receipt of a validated voucher from RMP. The Voucher system works similar to a invoice but Gallagher Bassett will advise you when to pay a third party rather then them paying and reclaiming this back from you. As this is not a invoice or statement I have warded RMP 0 for the £100,000 option a score of 10 based on the current deductible.



Insurer	Score	Reason for score
Zurich Municipal	£100,000 - 0 £1,000 Own Damage – 10	Confirmed that a deductible above £50,000 would have to be via an imprest. Agreed to invoice on lower deductible
Risk Management Partners	£100,000 – 0 £1,000 Own Damage – 10	Voucher System on higher deductible Agreed to invoice on lower deductible



10 Overall Scoring

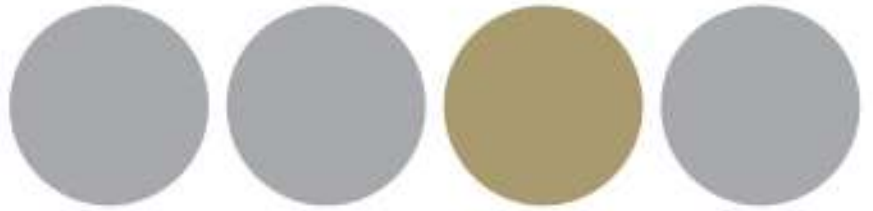
Option	Price	Coverage/ Claims	Legal Panel	Corporate/ Strategic RM	Payment on Account	Total
ZM £1,000	30.82	24.00	10.00	7.50	10	82.32
ZM £100,000	40.00	24.00	10.00	7.50	0.00	81.50
RMP £1,000	29.78	24.00	10.00	10.00	10.00	83.78
RMP £100,000	30.03	24.00	10.00	10.00	0.00	74.03

Recommendation

Somewhat surprisingly the highest scoring overall bid at the time of completing this draft report is the RMP submission based upon the lowest excess. However clarifications regarding the payment of claims below the deductible have clearly had an impact to the successful bid.

We would stress that clarifications should be undertaken cautiously as the award criteria was clearly stated within the Invitation To Tender and returning to bidders to ask them to clarify their bid could be seen as allowing some bidders to alter their original submission. Should a formal challenge be instituted this could cause concern to the Authority.

Given this we would wish to discuss this report with you further before agreeing the final scoring for each option and to agree your preferences regarding the basis of excess.



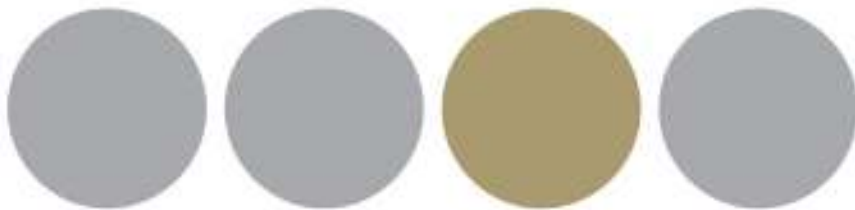
11 Remuneration for broker services

Payment for our services is by a fee agreed with you or to be negotiated with you.

Our service contract with you was renewed last year and we look forward to continuing our relationship.

We may also earn income from the insurer in other ways. For example, we may receive a certain level of income from UK insurers for administrative services provided solely on their behalf. You have the right, at any time, to request information from us regarding any commission, brokerage or other earnings that we may receive or that we have received through placing your insurance business.

You have the right, at any time, to request information from us regarding any commission, brokerage or other earnings that we may receive or that we have received through placing your insurance business.



12 Complaints procedure

We will always endeavour to give you the highest standard of service but please be aware that should you ever have cause to make a complaint, you may do so by contacting any member of our staff by whatever means is convenient to you.

If you wish to deal with a Gallagher Heath member of staff wholly independent of the office or division that has been servicing your business, please speak or write to:

Central Compliance Department

Gallagher Heath

Saxon House

27 Duke Street

Chelmsford

Essex CM1 1HT

☎: + 44 (0) 1245 293343

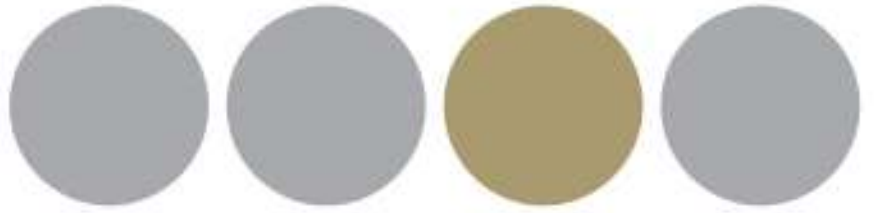
Fax: + 44 (0) 1245 490558

Email: groupcomplaints@heathlambert.com

... stating the risk/policy reference, risk details and the nature of your question or concern.

Our complaints procedure complies with regulatory requirements and is available on request.

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service. You can obtain further information about this from www.financial-ombudsman.co.uk



Appendix 1 – Insurer Quotations (Already received directly by the Fire Authority)



Appendix 2 – Gallagher Heath Coverage Evaluation Document



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