

REQUEST FOR DMPC DECISION – PCD 416**Title: Insurance Strategy and Procurement****Executive Summary:**

A three-year Insurance Strategy was agreed by the Deputy Mayor for Policing and Crime in July 2016. Under the Scheme of Delegation and Consent there is a requirement to annually approve the insurance strategy to ensure it remains fit for purpose. Approval for the tendering and award of contracts for motor insurance and property construction all risks insurance policies which need renewing is requested.

Recommendation:

The DMPC is asked to approve

1. the Insurance Strategy
2. the proposals to initiate procurement and award contracts for insurance for motor, and property construction all risks

Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature*Siphe hender***Date***10/07/18*

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1. Introduction and background

- 1.1. The MOPAC insurance strategy was approved in July 2016. This is a three-year strategy with MOPAC/MPScurrently in year two. As part of the approval process the MPS is required to review the insurance strategy on an annual basis to ensure it is still fit for purpose. The Scheme of Delegation and Consent requires the Deputy Mayor for Policing and Crime to review the insurance strategy on an annual basis.
- 1.2. The use of insurance enables the MPS to transfer the financial risk of uninsured damage to property and uninsured legal claims for general liability to an insurance company, thus avoiding the need to fund this cost from the MPS's own resources.
- 1.3. As part of the strategy there are regular requests for the procurement of insurance.

2. Issues for consideration

- 2.1. The MPS is exposed to certain insurable financial risks that are large enough to be prejudicial to the execution of the Police and Crime Plan. An example would be the risk of destruction of a major building within the Estate through fire.
- 2.2. The current insurance policies which are the subject of this procurement request cover motor insurance and property construction all risks.
- 2.3. See attached and the Part 2 for further details.

3. Financial Comments

- 3.1. The cost of the insurance renewals is provided for within existing resources.

4. Legal Comments

- 4.1. The MOPAC Scheme of Consent and Delegation (4.7) requires the approval of the annual insurance strategy. As the value of the proposed procurements are in excess of £500,000 MOPAC approval [SoC&D 4.13] is required.
- 4.2. Procurement activity arising from approving the application of the existing Insurance Strategy will be conducted in accordance with the Public Contract Regulations 2015, EU law and MOPAC Scheme of Consent and Delegation.

5. Equality Comments

- 5.1. There are no direct equality or diversity implications arising from this report

6. Background/supporting papers

- 6.1. MPS paper

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

Part 2 Confidentiality: Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – YES

ORIGINATING OFFICER DECLARATION

	<i>Tick to confirm statement (✓)</i>
Head of Unit: The Chief Finance Officer has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The MPS legal team has been consulted on the proposal.	✓
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.	✓

OFFICER APPROVAL**Chief Executive Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature

R. Lawrence

Date

04/07/18

**MOPAC****MAYOR OF LONDON**
OFFICE FOR POLICING AND CRIME

Approval Sought to Apply Existing Insurance Strategy

Report by The Head of Insurance and Claims Services on behalf of the Deputy Commissioner

EXECUTIVE SUMMARY

The MOPAC-MPS Insurance Strategy requires to be reviewed annually by MOPAC to agree it is still fit for purpose.

On agreement of the strategy, MPS will renew insurance policies using authorities already held by MPS, either under the MOPAC Scheme of Delegation or obtained separately from this paper by proper governance.

Recommendations

The Deputy Mayor for Policing and Crime is asked to:

1. **Approve the existing Insurance Strategy**

Non-confidential facts and advice to the Deputy Mayor for Policing and Crime

Introduction and background

1. We are two years into a three year insurance strategy, which requires to be reviewed annually by MOPAC to agree it is still fit for purpose.
2. The key issues which need to be taken account of are:
 - a. The existing three year Insurance Strategy was approved by the MOPAC DMPC:
 - i. in 2016 [MOPAC decision dated 27/07/16, reference PCD36];
 - ii. in 2017 [MOPAC– decision dated 29/08/17, reference PCD253].
 - b. The Insurance Strategy delivers critical financial risk transfer through a programme of insurance policies, covering a range of potential legal liabilities that may be faced by MOPAC-MPS and in protection of the physical assets and cash of MOPAC-MPS;

- c. The existing Insurance Strategy remains suitable and sufficient and continues to deliver value for money by transferring financial risk to an insurance company;
 - d. The insurance premium cost will be managed within the revenue budget that already exists;
 - e. The MOPAC-MPS subject matter expert (The Head of Insurance and Claims Services), Commercial Department and the contracted Insurance Broker, will be making sure the insurance policy renewal process is conducted to achieve the best possible result for MOPAC-MPC.
3. The context for consideration of this recommendation is:
- a. The MOPAC-MPS is exposed to certain insurance financial risks that are large enough to be prejudicial to the execution of the Police and Crime Plan. An example would be the risk of destruction of a major building within the Estate through fire.
 - b. MOPAC-MPS seeks to transfer such financial risks through insurance arrangements;
 - c. Those insurance arrangements are directed by an Insurance Strategy;
 - d. A three year Insurance Strategy was agreed by the MOPAC DMPC in July 2016, with an annual refresh / review to ensure it remains fit for purpose;
 - e. The MOPAC Scheme of Consent and Delegation reserves to the DMPC the 'approval of the annual insurance strategy'.
 - f. It is the recommendation of this paper that the DMPC approve the existing Insurance Strategy, in compliance with the Scheme of Consent and Delegation and to allow the MPS Director of Commercial and Finance to continue to undertake the day to day management of insurance in line with the strategy.

Issues for consideration

4. This proposal needs to be considered because MOPAC-MPS purchases insurance cover that expires and needs to be considered for renewal annually on the 1st October. We have a three year Insurance Strategy, however the Scheme of Delegation requires the Deputy Mayor for Policing to review it annually.
- a. The main insurance policies that form part of the programme are:
 - i. Property Insurance, including property in the course of construction/alteration;

- ii. Employers Liability: legal liabilities for injuries as an Employer;
 - iii. Public Liability: legal liabilities to the public for injuries and damages to property; and
 - iv. Motor Insurance: legal liabilities to the public for injuries and damage to property arising out of the use of motor vehicles.
- b. Benefits, costs and risks of recommendation
- i. The benefit of implementing the recommendation is the continued transfer of the financial risk.
 - ii. There are no substantive risks arising from following the recommendation; the recommendation is itself a transfer of risk.
 - iii. The risk of not applying the Insurance Strategy in the renewal of our insurance programme is that the financial risk of uninsured damage to property and uninsured legal claims for general liability would need to be paid from MOPAC-MPS funds.

Contributes to the MOPAC Police & Crime Plan 2017-2021¹

5. The MOPAC-MPS is exposed to certain insurance financial risks that are large enough to be prejudicial to the execution of the Police and Crime Plan. An example would be the risk of destruction of a major building within the Estate through fire.

Financial, Commercial and Procurement Comments

6. Details of the current premiums and the estimated renewal premium for these insurances are contained in the restricted section of this report, as they are commercially sensitive.
- a. The revenue budget is adequate to reflect the expenditure expected and insurance premiums will be paid from that revenue budget.
 - b. Applying the existing Insurance Strategy will mean that we will continue to buy insurance cover suitable for the needs of the MOPAC-MPS at the best possible terms available from the insurance market.
 - c. The procurement route used to buy the insurance cover will be compliant with the MOPAC Scheme of Consent and Delegation and the procurement regulations for the public sector.
 - d. Continuing to apply the existing Insurance Strategy will optimise value for money for MOPAC-MPS. Good value for money is achieved by:
 - i. Periodically tendering (typically every 3 to 5 years) each significant cover as broadly as possible, typically by an Office of the European Union (OJEU) compliant open tender process. Careful analysis of the market responses and selection of the best option for MOPAC-

¹ [Police and crime plan: a safer city for all Londoners | London City Hall](#)

- MPS is carried out within each tender process.
- ii. Selecting a relatively high policy excess and dealing with legal liability claims from the classes of insurance that could otherwise be transferred via insurance

Legal Comments

- 7. Procurement activity arising from approving the application of the Existing Insurance Strategy will be conducted in accordance with the Public Contract Regulations 2015, EU law and the MOPAC's Scheme of Delegation and Consent. Commercial Services are engaged in the process.

Equality Comments

- 8. There are no known negative equality or diversity implications

Privacy Comments

- 9. Only very limited private data is provided to insurers, who are aware of their obligations in relation to data privacy requirements.

Real Estate Implications

- 10. There are no changes to the estate associated with this report.

Environmental Implications

- 11. There are no known negative environmental implications.

Background/supporting papers

- 12. There are no supporting papers that are suitable for publication.

Report author: Gary McCulloch, Head of Insurance and Claims Services, Tel 020 7161 2944

Part 2 – This section refers to the details of the Part 2 business case which is NOT SUITABLE for MOPAC Publication.

The Government Security Classification marking for Part 2 is:
OFFICIAL-SENSITIVE [COMMERCIAL]

Part 2 of 'Approval Sought to Apply Existing Insurance Strategy' is exempt from publication for the following reasons; exempt from publication under Commercial Interest Section (s.43) of Freedom of Information Act.

The paper will cease to be exempt on 01/01/2029



**Insurance: Approval is sought to tender and award:
Motor and Property Construction All Risks**

**Report by The Head of Insurance and Claims Services on behalf of the Deputy
Commissioner**

EXECUTIVE SUMMARY

We need to tender for two insurance policies.

Authority is required for insurance premium expenditure greater than the authority delegated by the MOPAC Scheme of Delegation; so requiring approval from the Deputy Mayor for Policing and Crime.

Within an Insurance Programme, MOPAC-MPS purchases two insurances policies that were previously awarded 5 years ago following a competitive tender, but are coming to an end of that 5 year long term agreement on 1st October 2018.

The particular way the insurance market works, the periods required by the tender and the need for decisions to be made before cover expires on 1st October 2018, means that this paper seeks approval to obtain terms and award, within agreed financial parameters. The expected premium payable is already budgeted for within the existing revenue budget.

Recommendations

The Deputy Mayor for Policing and Crime is asked to:

1. Approve action to conduct a tender for Motor Insurance and Property Construction All Risks (C.A.R.) Insurance and award the contracts within agreed financial parameters, in protection of MPS property assets and potential liabilities, which are due to expire on 1st Oct. 2018.

Non-confidential facts and advice to the Deputy Mayor for Policing and Crime
Introduction and background

1. This proposal needs to be considered because MOPAC-MPS purchases two insurances policies that were previously awarded under a long term agreement that is coming to an end on 1st October 2018. Because the premium levels involved are greater than the authority delegated by the MOPAC Scheme of Delegation, approval needs to be sought from the Deputy Mayor for Policing and Crime.

2. The MOPAC/MPS purchases this insurance to mitigate the potential financial and business impact of risks by transferring them to an insurance company. The insurance policies to be tendered form part of a range of insurance policies within an insurance programme covering MOPAC-MPS assets and potential legal liabilities. This should be noted in the context that MPS has property assets with a rebuilding and replacement value in the region of £2bn, refurbishment work in excess of £100m planned and can be subject to unlimited legal liabilities arising from injury to persons and damage to third party property.
3. The MOPAC/MPS uses its size and leverage to maximize insurance premium savings and employs a qualified in-house insurance professional, the Head of Insurance and Claims Services, who in liaison with the appointed Insurance Broker, ensures that all policies are suitable.
4. The nature of the insurance market and the required timings to conduct the procurement does not match with the MOPAC governance process. This paper therefore seeks empowerment to conduct the procurement via a tender and award action within agreed financial limits.

Issues for consideration

5. We will be conducting an Open Tender, compliant with OJEU requirements, in order to get the best possible response from the broadest possible market and remain compliant with Procurement Regulations for the Public Sector.
6. The current annual insurance cost is contained in the restricted section of the report and approval is requested to tender and award the contract up to a budgeted value also set out in that restricted section.
7. Maintenance of this insurance cover provides critical financial risk transfer.
8. Given the requirements of the insurance market, timescales requirements by an OJEU compliant tender and the need to prepare for cover to continue beyond expiry on 1st October, activity is already under way in the early stages of the tender process, without commitment to premium costs.

Contributes to the MOPAC Police & Crime Plan 2017-2021¹

9. This insurance procurement activity will protect MPS/MOPAC from certain insurance financial risks that are large enough to be prejudicial to the execution of the Police and Crime Plan and should be transferred to insurers.

Financial, Commercial and Procurement Comments

10. The current annual insurance cost of these insurances is commercially sensitive and set out in the restricted section of this report. Approval is sought to conduct a tender and award up to a budgeted value also set out in the restricted section.
11. The expected premium payable is already budgeted for within the existing revenue budget. The intention is to maintain the insurance premium at the expiring premium level or under, however there is a possibility that renewal

¹ [Police and crime plan: a safer city for all Londoners | London City Hall](#)

terms will be at a higher cost depending on terms received from the insurance market. We would seek to manage any increase in the cost of the insurance premium within the overall insurance premium budget.

12. There is no impact on the Capital Plan.
13. The insurance policies will be procured via an OJEU compliant open tender process, led by our contracted insurance broker, managed by the MPS Head of Insurance and Claims Services and in liaison with the MPS Commercial department.

Legal Comments

14. Procurement activity arising from approving the application of the Existing Insurance Strategy will be conducted in accordance with the Public Contract Regulations 2015, EU law and the MOPAC's Scheme of Delegation and Consent. Commercial Services are engaged in the process.

Equality Comments

15. There are no known negative equality or diversity implications

Privacy Comments

16. Only very limited private data is provided to insurers, who are aware of their obligations in relation to data privacy requirements.

Real Estate Implications

17. There are no changes to the estate associated with this report.

Environmental Implications

18. There are no supporting papers that are suitable for publication.

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