



Salix Homes Limited

Insurance Services Tender including
Leaseholder Buildings


Summary of Tender results

Date of issue: March 2025

Gibbs Laidler Consulting LLP, The Courtyard, Salters Heath Business
Centre, Cold Arbor Road, Sevenoaks, TN13 2BL

Telephone: 01959 562242

www.gibbslaidler.co.uk



Introduction

Gibbs Laidler Consulting is an independent insurance consultancy appointed to assist Salix Homes Limited (Salix Homes) with the tender of its programme of General (non-life) Insurance and related services. Gibbs Laidler works for Salix Homes and does not have ties with the insurance market or any of the Bidders participating in the Tender process.

The programme of Insurance services includes insurance for Leaseholders' and Shared Owners' buildings. This element of cover is included in the main programme in order to ensure inclusive cover for all properties and to enable maximum economies of scale, for the benefit of Salix Homes and its leaseholder customers.

We set out below a summary of the Tender process conducted for the insurance period commencing 1st April 2025. We summarise the results and have tried to deal with any questions that Leaseholders and Shared Owners might have.

The Tender / Review was managed internally by [REDACTED] with support from [REDACTED] from Salix Homes, with a team led by [REDACTED] Gibbs Laidler providing insurance market expertise and assistance in the technical analysis of bids received and support to the decision-making process. The intention to Award is subject to approved by Board of Salix Homes Limited and subject to completion of the Consultation process with Leaseholders in line with the requirements of S20 of the Landlord and Tenant Act 1985.

Following evaluation and scoring of the Tender submissions, Salix Homes have now advised Leaseholders and Shared Owners of the intention to award the contract to Marsh Limited, which is part of the Marsh & McLennan Group of Companies. A full copy of their Tender submission and any other bids received are available for inspection at the offices of Salix Homes by appointment and under supervision. Please note that the Bid reports received during this process include large parts relative to the Corporate insurance risk of Salix Homes that are not relevant to Leaseholders. As part of the procurement of a wider programme of insurance, Salix Homes procures cover for its own assets and legal liabilities, the arrangement and nature of which is confidential.

This Report is provided to summarise the relevant aspects and in response to Leaseholders and Shared Owners who may be unable to attend Salix Homes' offices in person.



Tender Process

Salix Homes' tender exercise was a procurement conducted in accordance with Public Contracts Regulations 2015. We chose to procure using Regulation 29 (the Competitive Procedure with Negotiation) which was conducted in two stages.

In the first stage, the contract is advertised and any interested parties are invited to submit a request to participate, which asks them to confirm that they are capable of meeting the requirements of the tender.

It is important to understand the limitations of the insurance market for Housing Associations and similar social housing organisations. There are only three dominant providers at this time (Arthur J Gallagher Insurance Brokers, Marsh and Zurich Municipal). In the conventional, non-Housing Association insurance market, most general insurance Brokers will be able to obtain quotations from any of the insurers with whom they trade. On that basis, a single Broker could, in theory, obtain quotations from the whole insurance market and present the buyer with the most competitive quotations available. However, this is not the case for Housing Association insurance, especially for Property insurance risks.

Due to the size and the nature of the risk exposure, in particular the significant aggregation of storm and flood risks into relatively small geographic areas, Housing Associations are not always considered to be an attractive risk for Insurers and as a consequence, the number of insurers prepared to insure Housing Association risks is quite limited.

In addition, those Insurance Companies who are active in the sector often have exclusive relationships with specialist Brokers and will only work with their preferred partner. A general, non-Housing specialist Insurance Broker may have a significant account with say QBE, RSA or Aviva for general non-Housing Association risks, but for social housing property insurance, those insurers will only work with specialist broker partners. They will not entertain an approach from another Broker for the risk. In addition to the Brokers and their insurer partners, Zurich Municipal is a major provider of Insurance to the social housing sector. Zurich is a 'direct to customer' only insurer and will not work with Brokers or respond to Broker-run tenders.

The Tender advert (called a 'Contract Notice' was published on the Government's Contracts Finder Website on 6th September 2024. This Public advert called for requests to participate and for basic information to demonstrate the Bidder's suitability through completion of a document known as a Selection Questionnaire.

As part of the Competitive Procedure with Negotiation under Regulation 29 of the Public Contracts Regulations, the contract for Insurance Services is publicly advertised and interested



parties are required to submit their completed Selection Questionnaire to enable a short list of suitable candidates to be invited to tender formally for the Insurances.

Salix Homes received a total of six applications by the deadline of 8th October 2024. One of these applications was for specific parts of the Contract requirement not relating to property insurance, meaning that five were submitted for the insurance of Buildings including Leaseholders' buildings.

Selection Stage Responses

Provider	Status
Arthur J Gallagher Insurance Brokers Ltd	Part of global Insurance Broker Arthur J Gallagher & Co. with a specialist Housing sector team.
Jensten Insurance Brokers (London & SE) Limited	National Insurance Broker, with a small team focussed on the Social Housing sector.
Marsh Ltd	Part of global Insurance Broker Marsh & McLennan Companies. with a specialist Housing sector team.
Miller Insurance Services LLP	National Insurance Broker, with a small team focussed on the Social Housing sector.
Zurich Municipal	A direct insurance provider specialising in the Housing sector, part of international Insurer Zurich Insurance Plc.

Gibbs Laidler reviewed the submissions as did representatives from Salix Homes and it was decided to proceed with all five of the potential bidders through to the next stage of the tender, including the provision of Buildings insurance.

Competitive Tender Stage

The second stage of the process is a longer and more complex process where the tenderers were invited to submit detailed priced proposals for all the insurance Policies that Salix Homes purchases. This includes the cover required for Leaseholders' buildings.

We always request bidders to provide quotations on the existing basis of cover and for a range of increased Excesses and other options. We make sure that if an attractive premium offer is received for the Leaseholders' Buildings Policy that the excess is in line with the current arrangements, thus ensuring like for like cover, or better. Whilst Salix Homes may choose to consider a larger Excess for comparison purposes, we did not limit the responses in any way and made it clear that we would consider any basis of cover and excess which the bidder considered appropriate for Salix Homes and its stakeholders. This is to ensure that the



Association is being as inclusive as possible and to encourage all of the tenderers to respond with a bid which they believe gives them the best chance of success.

Salix Homes provided the tenderers with a large amount of information about the insurable risks and the historic claims experience, and provided each of the bidders with the opportunity of meeting with Salix Homes' personnel so the bidders could understand the organisation and so Salix Homes could provide additional information required by the bidders.

From a competition perspective, the process generated strong interest at the outset with five tenderers asking a range of questions to ensure they understood the insurance risk and the service requirements to present a compelling tender proposal. All five were invited to Bid and ultimately, whilst all five responded with bids for some aspect of Salix's Corporate insurances, only one of the parties submitted a proposal for the Buildings Insurance requirement.

We set minimum financial standards for the Insurer / Risk Carrier (long term financial stability and claims paying ability of the proposed Insurers) being a Standard and Poor rating of A-, an A M Best rating of B++, or an equivalent rating by an independent and reputable Ratings Agency.

Although the insurance market for Social Housing organisations is limited to a small number of providers, Brokers such as Gallagher, Marsh, Miller and Jensten do have access to a larger number of suitably rated Insurers / Risk carriers who may offer Buildings insurance for social Housing organisations. These include:

- Allied World Assurance Company
- Aspen
- Avid
- AXA
- Berkshire Hathaway
- Syndicates within Lloyds of London
- Protector
- QBE
- Sirius Point

The deadline for the return of written priced proposals was set at 17.00 on 17th January 2025.

By the closing date, bids were received from Gallagher, Jensten, Marsh, Miller and Zurich but only one of these quoted for Lot One of the Tender which includes Buildings Insurance for Salix and for Leaseholders and Shared Owners.

The single bidder's proposal was evaluated for quality (service provision and the scope of cover they were providing) and the premium they would charge. Gibbs Laidler undertake a detailed



technical analysis of the cover scope and service standards and a review of the premiums quoted by the bidder.

Quantitative Scoring – Premium cost

The quote received from Marsh for Lot One of the Tender requirement included all the insurance Policies that Salix Homes arranges. As mentioned earlier, many of these Policy covers do not relate to Leaseholders and include for example the Legal Liability, Development / Construction risks, Computers, Office contents etc.

After clarifications of the Bid to ensure we fully understood the proposals and a Best & Final Offer opportunity, the premiums received for Lot One of the Tender (which includes Buildings insurance) are as follows:

Marsh £1,560,240.25

plus a £13,000 Broker Fee which is borne by Salix Homes and is not recharged to Leaseholders (**Total cost £1,573,240.25**)

The premiums negotiated by Marsh show an increase compared to the expiring 2024/25 level of premiums. The increase compared to last year reflects higher Buildings Sums Insured following an RICS Valuation of Rebuilding Costs (paid for by Salix Homes), the background of a deteriorating property damage claims picture across Salix’s property stock, the very ‘hard’ insurance climate mentioned earlier and a general upward pricing trend across the UK insurance market.

We then proceeded to review the scope of cover to ensure it was a like for like comparison. Gibbs Laidler was able to determine a number of key features which will be relevant to Leaseholders and shared Owners:

Cover feature	Expiring 2024/25	Marsh proposal for 2025/26
Leaseholder damage claims Excess	£200 each and every claim	£200 each and every claim
Leaseholder Flood damage claims Excess	£200 each and every claim	£200 each and every claim
Leaseholder Subsidence damage	£1,000 each and every claim	£1,000 each and every claim



claims Excess		
Under-insurance	No Average condition	Average condition waived where an RICS Valuation has been conducted in the last three years

For the cover reasons detailed above and being the only Bidder, the Marsh proposal was determined to be the Most Advantageous Bid in line with the criteria determined in the Tender Specification. The Marsh proposal has therefore been accepted, following Salix Committee approval and subject to Leaseholder observations.

In line with FCA Consumer Regulations relating to the insurance of multi-occupancy buildings, the winning Bidder (subject to S20 consultation) must now fairly separate the cost of cover that Salix Homes requires, from the cover that the leaseholders require, namely cover for the buildings that Leaseholders have a financial interest in. The split of premium will be confirmed separately.

We stress that the fair apportionment of premium at an individual Building level will be determined by the Insurer and Salix Homes has insisted upon full disclosure of Premium, Remuneration (Fees and Commissions) earned by Marsh as the placing Broker and any other elements of the supply chain. As part of the Tender evaluation work already undertaken, Gibbs Laidler is satisfied that the remuneration % earned by Marsh is low and is reasonable for the work they will be undertaking.

Gibbs Laidler also does not accept any Commission or other forms of remuneration relating to the placement or management of the insurance programme. We remain independent and work solely for Salix Homes Limited in a Consultancy capacity.

Qualitative Scoring – Scope of cover and service standards

The evaluation and scoring process adopted by Gibbs Laidler requires that all bidders' proposals meet minimum criteria for service and scope of cover which is set out in the tender specification.

The table on the following page sets out the scoring criteria we used in addition to a review of the premiums quoted:

Quality Scoring

In addition to the financial analysis, an assessment of the quality scores was undertaken and is set out below:

Quality Scoring Summary Out of 50% of overall points (with 50% being attributed to pricing)		Total per Section	Marsh
1	Evidence of the Bidder's understanding of the insurance and risk management needs of Salix Homes and relevant technical ability demonstrated within the proposal. Scope and terms of cover	7	4.2
2	The quality and likely effectiveness of the proposed claims service	3	2.4
3	The quality and likely effectiveness of risk management or related services	1	0.6
4	The quality and likely effectiveness of account servicing proposals	2	1.2
5	Cost certainty and sustainability beyond year one of the agreement	4	2.4
6	The quality and likely effectiveness of the Bidder's Social Value proposition	2	1.2
7	Bidder Presentations	1	0.8
	Total	20	12.8
	Weighted Score – QUALITY	50	32
	Standard Differential Method applied to Quality Scores	50%	50.0

Combined Scores

The scores for the Premium Pricing are calculated and weighted according to the criteria set out in the tender documents, and when combined with the quality scores above for each tenderer, provided the following results:

	Maximum Points	Marsh
Weighted Score	50	32
A. Standard Differential Method applied to Quality Scores (Bidder's score is divided by Highest Scoring Bidder's score) Overall Score – QUALITY: 50%	50%	50.0%
Actual Programme Cost – Score Standard Differential Method applied to Cost Scores (Bidder's score is divided by Highest Scoring Bidder's score)	50	50.0
B. Overall Score – COST: 50%	50%	50.0%
<u>Total Tender Score (A. plus B.)</u>	<u>100%</u>	<u>100%</u>

Note: being the only Bidder, Marsh automatically scores maximum points using the 'Standard Differential' method



Conclusion

During the Tender process, Bidders are unaware of how many other potential bids are being considered and whilst Marsh was the only Bidder for Lot One including Leaseholder's Buildings insurance, Salix maintained the pretence of competition throughout. This helped ensure the most advantageous result for Salix and for its customers.

The Tender process will have served to minimise the costs of the insurance programme at the point of Contract Award and secure as far as possible, certainty of insurance coverage for the next three to five years.

The new programme of insurance effective from 1st April 2025 will be placed through the Agency of Marsh Limited and Buildings insurance will ultimately be provided by their recommended Buildings Insurer being Protector Forsikring ASA. The Award is for an initial period of three years, with the option to extend this award period by up to two further years, subject to satisfactory performance, service and costs.

Salix Homes will monitor the performance of Marsh during the year and at each subsequent annual Renewal to make sure that Protector remain competitive and their service on claims meets the expectations of both Leaseholders and Salix Homes Limited.

If any leaseholder has a question they wish to raise in respect of the tender which are not covered in this report please do not hesitate to contact Jeremy Flint by email jeremy.flint@gibbslaidler.co.uk.