

Tender - T-2025-1694 - Insurance Broking and Related Services

File No: X125416.014

Summary

This report recommends that Council make a one-off delegation to the Chief Executive Officer to determine the outcome of the insurance broking and related services tender, which is currently in the market.

The current insurance broking contract expires on 31 March 2026, along with the City's annual insurance policies.

The insurance broking tender is currently out to market with a closing date of mid-January 2026.

The tender must be assessed and determined with a contract signed, and the portfolio of annual insurances placed by 31 March 2026, to maintain the City's insurance coverage.

A delegation is sought for the Chief Executive Officer to determine the outcome of the tender as the Council meeting schedule does not allow sufficient time for the assessment and determination of the tender, contract execution and placement of the insurances prior to the expiry of the tendered insurance quotes.

Recommendation

It is resolved that:

- (A) Council delegate to the Chief Executive Officer the function of accepting the recommended tender offer for the provision of Insurance Broking and Related Services for a term of 3 years with 2 options to extend, each for a period of 2 years;
- (B) authority be delegated to the Chief Executive Officer to finalise, execute and administer the contract relating to the tender; and
- (C) Council note that it will be informed of the successful supplier and total contract value via CEO Update.

Attachments

Attachment A. Pre-Tender Estimate (Confidential)

Background

1. The City's current insurance broking contract expires on 31 March 2026. A two-stage procurement process is being utilised for the process of procuring a new insurance broking contract, which has proceeded by way of an expression of interest (EOI) followed by a select tender. This contract is for 3 years with 2 optional 2-year extensions.
2. The City's insurance program includes a significant property portfolio, public liability, professional indemnity, commercial fleet, cyber and annual contract works policies as well as a range of smaller policies.
3. The successful broker will be responsible for providing ongoing strategic insurance advice, broking and placement services to the City including annual placement of the City's insurances, strategic review of the insurance portfolio, and modelling to support decision making. The broker also supports City staff with policy interpretation and claims.
4. The initial EOI closed in August 2025 and two submissions were received. Both brokerage firms who made submissions were assessed as having the capability to deliver the services under the contract with relatively low risk and were endorsed to proceed to the select tender stage.
5. The tender is currently open with a closing date of 15 January 2026. As part of the tender process, tenderers are required to provide quotations for the City's insurances for the first year of the contract (i.e. the period 31 March 2026 to 31 March 2027). Insurance quotations are valid for a period of 30 days.
6. Tenders will be evaluated according to mandatory non-weighted criteria, covering material acceptance of the City's standard form contract and no issues with financial integrity. Tenders will also be evaluated on the following gradable criteria:
 - (a) Marketing and placement strategy
 - (b) Service offering including technical tools and innovation
 - (c) Lump sum annual brokerage fee
 - (d) Lump sum year 1 insurance costs.
7. To ensure continuity in the City's insurance coverage, the City needs to notify the successful broker and issue the authority for them to act on the City's behalf within the 30-day period that the insurance quotes are valid.
8. The Council and Committee meeting timetable is incompatible with the time needed to assess and determine the tender, execute the contract with the successful tenderer and place the insurances within the 30-day period. As such, it is requested that Council delegate to the Chief Executive Officer the function of accepting the recommended tender offer for the provision of Insurance Broking and Related Services.

9. Limitation 1 of the CEO Delegations prevents the CEO from determining tenders involving an estimated expenditure of more than \$5 million. It is anticipated that the total contract value for this contract, including all insurance payments, will be for more than \$5 million over the term and as such requires a specific delegation from Council.
10. Council will be updated on the outcome of the tender in the CEO Update.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

11. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This report is aligned with the following strategic directions and objectives:
 - (a) Direction 1 - Responsible governance and stewardship - the City is required to maintain adequate insurance for public and professional liability under section 382 of the Local Government Act 1993. The insurance broking contract ensures that the City can meet this obligation and effectively manage insurable risk.

Organisational Impact

12. This tender does not impact on service levels, staffing, facilities or organisational processes.

Risks

13. Key risks related to the insurance broking contract include:
 - (a) Impact of the 30-day quote validity period on assessing and determining the tender, contract execution and insurance placement. Risk mitigation is this request for a CEO delegation to determine the tender.
 - (b) Pricing the contract - the insurance market is highly variable and subject to external shocks (e.g. material and labour shortage, extreme weather events and natural disaster). The City's insurance needs can also vary over time (e.g. cyber insurance was not anticipated at the time the current contract was entered into). These factors make it difficult to accurately determine the total contract value. This challenge can be somewhat mitigated via an appropriate contingency.
 - (c) Uncontrolled insurance cost increases over the life of the contract - this risk is largely mitigated by the contract terms and KPIs which encourage a reduction in, or maintenance of, premiums whilst maintaining appropriate coverage.
14. The engagement of a professional insurance brokerage provides the City with the expertise required to develop a strategic insurance portfolio that successfully meets our insurance compliance requirements and risk management objectives. This is consistent with the Risk Appetite Statement which states that the City is committed to conducting our activities in full compliance with applicable laws and that we have no appetite for financial losses arising from non-compliance with legal and regulatory requirements.

Economic

15. Failure to appropriately insure the City for public and professional liability as well as the City's assets from natural perils and third-party damage, has the potential to place extreme pressure on the City's financial resources and long-term financial sustainability.

Financial Implications

16. Sufficient funds are included in the 2025/26 operating budget for annual brokerage fees and insurance costs. Future year forward estimates for insurance costs are included in the City's Long-Term Financial Plan. See Confidential Attachment A for pre-tender estimate.

Relevant Legislation

17. Local Government Act 1993 - Section 382 requires a council to maintain adequate insurance for public and professional liability.
18. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
19. Attachment A contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business and
 - (b) prejudice the commercial position of the person who supplied it.
20. Discussion of the information in Confidential Attachment A in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

21. As previously stated, the insurance quotations are valid for a period of 30 days from the tender closing date which is 15 January 2026. To ensure continuity in the City's insurance coverage, the City needs to assess and determine the tender, notify the successful broker and issue the authority for them to act on the City's behalf within the 30-day period that the insurance quotes are valid.

Options

22. The alternative to Council granting this delegation to the CEO would be to recall the Council from its summer recess for an extraordinary Council meeting at short notice in early February 2026.

KIRSTEN MORRIN

Executive Director Legal and Governance

Nellette Kettle, Manager Risk and Governance