

<b>Report To:</b>	<b>CABINET</b>	<b>Date:</b>	<b>15<sup>th</sup> JULY 2019</b>
<b>Heading:</b>	<b>COUNCIL'S INSURANCE ARRANGEMENTS 2018/19</b>		
<b>Portfolio Holder:</b>	<b>CLLR MARTIN- PORTFOLIO HOLDER FOR FINANCE &amp; RESOURCES</b>		
<b>Ward/s:</b>			
<b>Key Decision:</b>	<b>NO</b>		
<b>Subject To Call-In:</b>	<b>NO</b>		

### **Purpose of Report**

This report is to provide Members with the latest position concerning insurance funds, and premiums paid during 2018/19.

### **Recommendation(s)**

- 1) Members are requested to note the contents of the 2018/19 Annual Insurance Report.

### **Reasons for Recommendation(s)**

To meet the requirements of the Council's Financial Regulations (C.37).

### **Alternative Options Considered (With Reasons Why Not Adopted)**

None

### **Detailed Information**

#### **COUNCIL'S INSURANCE ARRANGEMENTS**

As part of the Council's overall arrangement for managing the risks of such a diverse organisation, the Council makes provision for unavoidable risks by two methods:

- Self-insurance funds
- External insurance

This report provides Members with an assessment of both these arrangements for 2018/19.

1. Self-Insurance Funds (Insurance Reserves)

The transactions of the Insurance Funds for 2018/19 are summarised below:

General Fund Insurance Reserve

	<b>Liability Fund £000</b>	<b>Property Fund £000</b>	<b>Employee Tools £000</b>	<b>TOTAL £000</b>
Balance at 1 <sup>st</sup> April 2018	(110)	(194)	(8)	(312)
Leaseholders contribution	0	0	0	0
Credits received from insurance company	(40)	0	0	(40)
Claims Paid	1	4	0	5
New Claims not Settled	57	42	0	99
General Fund Contribution	(75)	0	0	(75)
Interest	(1)	(1)	0	(2)
<b>Balance at 31<sup>st</sup> March 2019</b>	<b>(168)</b>	<b>(149)</b>	<b>(8)</b>	<b>(325)</b>

Housing Revenue Account (HRA) Insurance Reserve

	<b>HRA Insurance Fund £000</b>
Balance at 1 <sup>st</sup> April 2018	(135)
Claims Paid	51
New Claims not settled	5
HRA Contribution	(50)
Balance at 31 <sup>st</sup> March 2019	(129)

1.1 Liability Fund

It is prudent to keep an insurance reserve because there can often be a significant delay in the reporting of claims. This is particularly the case with those involving some form of industrial injury which may not surface until some years after the incident occurred, or cases involving children which are allowed to be reported many years after the incident took place.

The potential level of liability as estimated by the insurance company is calculated as the maximum liability likely to arise taking into account all known factors. This amount could increase or decrease depending on how cases develop.

A provision has been included in the 2018/19 accounts for the current estimated liabilities.

The reserve is maintained to fund future liabilities identified in 2018/19 onwards. A budgeted transfer of £75k from the General Fund has been made to top up the reserve.

A more detailed analysis of the liability claims outstanding by year is given below:

<u>Year</u>	<u>Number</u>	<u>Value</u> <b>£'000</b>
2018-19	16	65
2017-18	2	50
2016-17	3	44
2015-16	0	0
2014-15	0	0
2013-14	1	15
2012-13	1	35
MMI Provision		
(See Paragraph 3.2)		65
<b>TOTAL</b>	<b>23</b>	<b>274</b>

## 1.2 Property Fund

The Council has an earmarked reserve to cover the cost of any property claims that fall below the insurance excess of £5k. If for example, the Council settled a claim for £6k, the Authority would be liable for the first £5k and the insurers would be liable for £1k. For any property claim up to and including £5k, the Council is fully liable. Property claims are settled from the Property Fund, reducing the balance in the fund.

As at the 31<sup>st</sup> March 2019 there were four claims still to be settled with an estimated value of £56k.

## 1.3 Employee Tools

The Employee Tools Policy was agreed by Cabinet on 13<sup>th</sup> July 2017. Before the Employee Tools Policy if an employee had their personal work tools stolen they would have to replace their own tools at their own expense.

The Employee Tools Policy allows for an employee to claim from the Authority for claims up to £1,000 less a £50 excess, if conditions are met. In 2018/19 there were no claims made for Employee Tools.

#### 1.4 Housing Revenue Fund (HRA)

There have been 6 property claims during the year 2018/2019 that have been met by HRA insurance funds. There is one claim outstanding at the end of the year, the costs for this claim have not yet been finalised.

#### 2. Renewal of External Insurance Policies

The new premiums under contract for 2019/20 and comparison to 2018/19 are shown below, the figures shown exclude the 12% Insurance Premium Tax (IPT).

<b>Type of Cover &amp; Insurer</b>	<b>Insurer</b>	<b>2019/20 £000</b>	<b>Insurer</b>	<b>2018/19 £000</b>
Property Package	Protector	98	AIG and HSB via RMP	82
Liability/Fidelity Guarantee	Travelers	96	Travelers	96
Engineering Inspection –	HSB via RMP	26	HSB via RMP	27
Motor Vehicle –	Protector	69	QBE via RMP	69
<b>TOTAL</b>		<b><u>289</u></b>		<b><u>274</u></b>

The total premiums have increased by £15k. The reason for the increase is because the sum insured in respect of property is higher following the addition of investment properties to the council's portfolio.

#### 3. Previous Insurance Providers

##### 3.1 Independent Insurance Company

Between 1992 and 1999 the Council's liability insurers were the Independent Insurance Company. In 2001 the company was declared insolvent. From that point onwards full financial liability for any claims above the excess fell to the Council. These will be limited to claims for industrial injury with a long development period (e.g. industrial deafness) or claims involving children. The Authority currently have four claims outstanding with an estimated liability of £25k which has been provided for in the insurance provision in the Council's 2018/19 Accounts.

##### 3.2 Municipal Mutual Insurance Liability

In September 1992, Municipal Mutual Insurance (MMI), the councils former insurers ceased accepting new business. MMI and its policyholders including local authorities established a "scheme of arrangement" for the orderly run down of the company. To date, the council has paid a levy during the scheme of arrangement of £143k.

The Authority may be asked by the administrators of MMI to settle the Council's full estimated remaining liability of £430k. It is unlikely that the whole remaining liability will be requested in one tranche. It is more likely that this will be requested in several instalments. Any amounts payable to the MMI administrators will be funded from

the Liability Insurance Reserve therefore the adequacy of the reserve will require continued review into the future.

#### 4. Risk Management Fund

The Risk Management Fund was established to fund projects that will help reduce and identify risk for the Council and hence reduce the cost of insurance claims and premiums. Insurers are reluctant to underwrite those which do not operate proactive Risk Management.

There have been no changes to the Risk Management Fund balance in 2018/19 other than a small interest contribution of £48. The balance of this fund is currently £7,961. This will be available to fund issues raised via the Health and Safety Committee. Previously Smartwater (applying smartwater to an asset means that assets can be traced directly back to the Council) was purchased using monies from the Risk Management Fund.

### Implications

#### **Corporate Plan:**

The reporting of the position with regard to insurance indirectly supports all of the Council's main objectives through contributing to business efficiency and effectiveness.

#### **Legal:**

The report ensures compliance with Financial Regulation C.37.

#### **Finance:**

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	There are no direct financial implications arising from this report.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

**Human Resources / Equality and Diversity:**

No adverse Human Resources / Equality and Diversity implications could be identified.

**Other Implications:**

**Reason(s) for Urgency (if applicable):**

**Exempt Report:**

**Background Papers**

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**CHIEF EXECUTIVE**