

Report To:	CABINET	Date:	19 JULY 2021
Heading:	COUNCIL'S INSURANCE ARRANGEMENTS 2020/21		
Portfolio Holder:	PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN		
Ward/s:	NOT APPLICABLE		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

This report is to provide Members with the latest position concerning insurance funds, and premiums paid during 2020/21.

Recommendation(s)

- 1) Members are requested to note the contents of the 2020/21 Annual Insurance Report.

Reasons for Recommendation(s)

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

Alternative Options Considered

None.

Detailed Information

COUNCIL'S INSURANCE REQUIREMENTS

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 2020/21.

1. Self-Insurance Funds (Insurance Reserves)

The Council's insurance reserves have been set up to:

- Help smooth the payment of claims as the levels of claims can change substantially year to year. The Council use external insurers, however, if a claim is made against the Authority and it is successful then the Council is still liable for the insurance excess (the amount of the claim that is paid by the insured not the insurer).
- Set aside money into the reserves in order to pay for any future self-insured claims as they become payable.
- Offset any 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.

The transactions of the Insurance Funds for 2020/21 are summarised below:

Table 1 - General Fund Insurance Reserves

	Liability Fund £000	Property Fund £000	Employee Tools £000	TOTAL £000
Balance at 1 st April 2020	(209)	(190)	(8)	(407)
Leaseholders contribution	0	(5)	0	(5)
Claims Paid	58	1	1	60
Contribution towards Hucknall Leisure Centre	0	50	0	50
Change in Provision	2	(5)	0	(3)
General Fund Contribution	(75)	0	0	(75)
Balance at 31st March 2021	(224)	(149)	(7)	(380)

Table 2 - Housing Revenue Account (HRA) Insurance Reserve

	HRA Insurance Fund £000
Balance at 1 st April 2020	(182)
Claims Paid	41
HRA Fund Contribution	(50)
Interest	(1)
Balance at 31st March 2021	(192)

1.1.1 General Fund - Liability Fund (Reserve)

The liability fund was increased by £75k as agreed by Council on 5th March 2020. During 2020-21 the liability fund was reduced to pay claims totalling £58k and further reduced by £2k for increases in the liability provision.

1.1.2 Liability Provision

Accounting regulations require the Council to make a provision for all existing claims based on the potential level of liability as estimated by the insurance company at the year end. It is calculated as the maximum liability amount likely to arise considering all known factors. This amount required in the provision could increase or decrease depending on how the cases develop. Any increases to the year end provision are funded by a debit to the liability fund and any decreases in the provision are credited back to the liability fund.

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

Table 3 – Analysis of Liability Claims (General Fund and HRA)

<u>Year</u>	<u>Number</u>	<u>Value</u> £'000
2020-21	10	50
2019-20	5	26
2018-19	2	13
2017-18	1	68
2016-17	1	10
MMI Provision		
(See Paragraph 3.2)		57
TOTAL	19	224

N.B. the Council's liability for the 2017-18 outstanding claim is limited to its excess of £25k should the claim be settled in full the insurer will pay the remaining £43k.

1.2.1 General Fund - Property Fund (Reserve)

£50k from the property fund was used to contribute to the capital works to Hucknall Leisure Centre in 2020/21. This funding was specifically earmarked within the reserve for this purpose as disclosed in the Capital programme approved by Council. During the year claims totalling £1k were charged to the reserve and leaseholder contribution of £5k were credited to the reserve. The property provision reduced in year by £5k and this has been credited back to the property reserve.

1.2.2 Property Provision

A reduction of £5k in the property provision was required as at 31 March 2021 due to a reduction in the level of existing claims outstanding at the year end. The reduction in provision was credited to the property reserve.

1.3 General Fund - Employee Tools Reserve

The Employee Tools Policy was agreed by Cabinet on 13th 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 2020/21 there were 4 claims made for Employee Tools.

1.4.1 Housing Revenue Fund (HRA)

Cabinet agreed an annual contribution of £50k per annum to the HRA property reserve for 5 years commencing 2016/17 on 20th February 2017. There have been 2 property claims totalling £41k during the year 2020/2021 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.

1.4.2 Housing Revenue Provision (HRA)

There have been no changes to the provision in 2020/21.

2. Renewal of External Insurance Policies

The new premiums under contract for 2021/22 and comparison to 2020/21 are shown below, the figures shown exclude the 12% Insurance Premium Tax (IPT).

Table 4 – Insurance Premiums

Type of Cover & Insurer	Insurer	2021/22 £000	Insurer	2020/21 £000
Property Package	Protector	126	Protector	120
Liability/Fidelity Guarantee	Travelers	118	Travelers	110
Engineering Inspection	HSB via RMP	29	HSB via RMP	35
Motor Vehicle	Protector	85	Protector	79
TOTAL		<u>358</u>		<u>344</u>

The Insurance market is beginning to see an increase in premiums in addition to restrictions to cover, so far, the Council has not been impacted by this, a re-tender of insurance requirements is underway for the year 2022/23.

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 has no claims outstanding.

3.2 Municipal Mutual Insurance Liability

In September 1992, Municipal Mutual Insurance (MMI), the Council's 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. The Council has paid to date 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. The level provided for in the reserve, in relation full potential liability, is as advised by the insurance brokers. The adequacy of the reserve is reviewed annually, taking their advice into account.

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 pro-active Risk Management.

There have been no changes to the Risk Management Fund balance in 2020/21 other than a small interest contribution of £14. The balance of this fund is currently £8,028. This will be available to fund issues arising from the Health and Safety Committee. Previously Smartwater (applying smartwater to an asset means that asset 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:

Budget Area	Implication
General Fund – Revenue Budget	None.
General Fund – Capital Programme	None.
Housing Revenue Account – Revenue Budget	None.
Housing Revenue Account – Capital Programme	None.

Risk:

Risk	Mitigation
Unexpected Insurance Claims	The Insurance Reserves allow the Authority to mitigate against the risk of unexpected insurance claims.

Human Resources:

No adverse Human Resources implications could be identified.

Environmental/Sustainability

No adverse Environmental/Sustainability implications could be identified.

Equalities:

No adverse Equalities implications could be identified.

Other Implications:

None.

Report Author and Contact Officer

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