

Report To:	CABINET
Date:	31 JULY 2023
Heading:	COUNCIL'S INSURANCE ARRANGEMENTS 2022/23
Executive Lead Member:	EXECUTIVE LEAD MEMBER FOR FINANCE, REVENUES AND BENEFITS – CLLR RACHEL MADDEN
Ward/s:	ALL
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 2022/23.

Recommendation(s)

- 1) Members are requested to note the contents of the 2022/23 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 arrangement for managing the risks of such a diverse organisation, provision for unavoidable risks is made by two methods:

- Self-insurance funds;
- External insurance

This report provides Members with an assessment of both these arrangements for 2022/23.

1. Self-Insurance Funds (Insurance Reserves)

The Council 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 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 Reserves for 2022/23 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 2022	(225)	(121)	(7)	(353)
Claims Paid	25	0	2	27
Change in Provision	77	0	0	77
General Fund Contribution	(75)	0	0	(75)
Interest	(4)	(3)	0	(7)
Balance at 31st March 2023	(202)	(124)	(5)	(331)

Table 2 - Housing Revenue Account (HRA) Insurance Reserve

	HRA Insurance Fund £000
Balance at 1 st April 2022	(144)
Credits received from insurance company	(18)
Claims Paid	54

Interest	(3)
Balance at 31st March 2023	(111)

1.1.1 Liability Fund (Reserve)

The liability fund was increased by £75k as agreed by Council on 3rd March 2022. During 2022/23 the liability fund was reduced to pay claims totalling £25k and further reduced by £77k 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

<u>Year</u>	<u>Number of claims outstanding 31st March</u>	<u>Value</u>
		£'000
2022-23	12	67
2021-22	6	40
2020-21	2	50
2019-20	1	1
2018-19	2	3
MMI Provision (See Paragraph 3.2)		57
TOTAL	23	218

1.2.1 Property Fund (Reserve)

Other than interest on the reserve balance there have been no changes to the fund balance during 2022/23.

1.2.2 Property Provision

There has been no change in the £5k in the property provision during 2022/23.

1.3 Employee Tools Reserve

The Employee Tools Policy was agreed by Cabinet on 13th July 2017. Before the Employee Tools Policy was introduced if an employee had their 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 2022/23 there were 2 claims made for Employee Tools.

1.4.1 Housing Revenue Fund (HRA)

There have been 2 property claims totalling £54k during the year 2022/23 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. During the year £18k has been received from the insurers as well as £3k interest receivable on the reserve balance.

1.4.2 Housing Revenue Provision (HRA)

No changes in year to HRA provision.

2. Renewal of External Insurance Policies

A full tender of insurance requirements was undertaken during 2021/22 to commence from 1st April 2022. The contract will run for the next three years with an option to extend on an annual basis for the following four years.

The new premiums under contract for 2023/24 and comparison to 2022/23 are shown below, the figures shown exclude the 12% Insurance Premium Tax (IPT).

Table 4 – Insurance Premiums

Type of Cover & Insurer	Insurer	2023/24 £000	Insurer	2022/23 £000
Property Package	Protector	119	Protector	95
Property terrorism Package	Lloyds	18	Lloyds	18
Combined Liability, including claims handling & Crime insurance	Travelers	155	Travelers	121
Crime insurance excess layer	RSA	13	RSA	22
Engineering Inspection	HSB via RMP	35	HSB via RMP	32
Motor Vehicle	Protector	87	Protector	74
TOTAL		<u>427</u>		<u>362</u>

The increase in the level of premiums is reflected in the Insurance budgets set for 2023/24.

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 Council currently has one claim outstanding for Noise Induced Hearing Loss covering the period 05/12/1994 to 26/01/1997. Capita have been appointed to handle on behalf of the Financial Services Compensation Scheme (FSCS) claims made by FSCS protected policyholders of Independent Insurance Company Limited. Unfortunately the FSCS is not able to provide protection for Government Departments. It is currently not yet known when the claim is likely to be settled.

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 Council 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 to 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 2022/23 other than a small interest contribution of £161. The balance of this fund is currently £8,196. This will be available to fund issues arising from the Health and Safety Committee recommendations.

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: No direct financial implications arising from this report. [PH 28/06/2023].

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.
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Risk:

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

Human Resources:

No HR implications contained in the report [KB 28/06/23]

Environmental/Sustainability:

None.

Equalities:

None.

Other Implications:

None.

Reason(s) for Urgency

Not Applicable.

Reason(s) for Exemption

Not Applicable.

Background Papers

None.

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