

Report To:	CABINET
Date:	16TH SEPTEMBER 2024
Heading:	COUNCIL'S INSURANCE ARRANGEMENTS 2023/24
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 2023/24.

Recommendation(s)

Cabinet is requested to note the contents of the 2023/24 Annual Insurance Report.

Reasons for Recommendation(s)

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

Alternative Options Considered

None.

Detailed Information

1. Council's Insurance Requirements 2023/24

1.1. 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 2023/24.

2. Self-Insurance Funds (Insurance Reserves)

2.1 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 uses external insurers, however, if a claim is made against the Council 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; and
- 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 occurred.

2.2 The transactions of the Insurance Reserves for 2023/24 are summarised below:

Table 1 – General Fund Insurance Reserves

	Liability Fund £'000	Property Fund £'000	Employee Tools £'000	Total £'000
Balance 1 st April 2023	(202)	(124)	(5)	(331)
Claims Paid	2	0	1	3
Change in Provision	54	0	0	54
General Fund Contribution	(75)	0	0	(75)
Interest	(11)	(6)	0	(17)
Balance 31st March 2024	(232)	(130)	(4)	(366)

Table 2 – Housing Revenue Account (HRA) Insurance Reserve

	Liability Fund £'000
Balance 1 st April 2023	(124)
Credits received from insurance company	0
Claims paid	17
Change in provision	(43)
Interest	(7)
Balance 31st March 2024	(157)

- 2.3 The liability fund was increased by £75k in 2023/24 as agreed by Council on 2nd March 2023. During 2023/24, the fund was reduced to pay claims totalling £2k and further reduced by £54k for increases in the liability provision. Interest of £11k was paid to the fund during the year.
- 2.4 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 Fund Claims

Year	Number of claims outstanding 31st March	Value £'000
2023/24	7	31
2022/23	1	5
2021/22	1	18
2020/21	1	30
2019/20	0	0
2018/19	2	3
MMI Provision (See 4.2)		57
Total	12	144

- 2.5 The only transaction in the Property Fund (Reserve) during 2023/24 is interest of £6k.
- 2.6 There has been no change in the property provision during 2023/24.
- 2.7 The Employee Tools Policy was agreed by Cabinet on 18th July 2017. Before the Employee Tools Policy was introduced if an employee had their work tools stolen, they would have to replace the tools at their own expense.
- 2.8 The Employee Tools Policy allows for an employee to claim from the Authority for claims up to £1,200 less a £60 excess if conditions are met. These values were updated as agreed by Cabinet on 18th September 2023. In 2023/24 one claim was made for Employee Tools.
- 2.9 There have been 4 property claims totalling £17.6k during the year 2023/24 met by HRA insurance funds. There are five claims outstanding at the end of the year. The costs for these claims have not yet been finalised. During 2023/24 no receipts have been received from the insurers and £7k interest was received on the reserve balance.
- 2.10 There has been a change in 2023/24 to the net HRA Provision balance of £33k, shown in Table 2.

3. External Insurance Policies 2023/24

- 3.1 A full tender of insurance requirements was undertaken during 2021/22 and the contract commenced from 1st April 2022 for three years with an option to extend on an annual basis for the following four years.
- 3.2 Premiums under the contract for 2024/25 and comparison to 2023/24 are shown below. The figures shown exclude Insurance Premium Tax (IPT).

Table 4 – Insurance Premiums

Type of Cover & Insurer	Insurer	2024/25 £'000	Insurer	2023/24 £'000
Property Package	Protector	127	Protector	119
Property Terrorism Package	Marsh Limited	17	Marsh Limited	18
Combined liability, including claims handling & crime insurance	Travelers	171	Travelers	155
Crime insurance excess layer	RSA	13	RSA	13
Engineering Inspection	HSB via RMP	39	HSB via RMP	35
Motor Vehicle	Protector	130	Protector	87
Total		497		427

The 2024/25 premiums are reflected in the Insurance budgets set for the year.

4. Previous Insurance Providers

- 4.1 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.
- 4.2 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.
- 4.3 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.

- 4.4 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.
- 4.5 There have been no changes to the Risk Management Fund balance in 2023/24 other than an interest contribution of £420. The balance of this fund is currently £8,616. This will be available to fund issues arising from 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: [RLD]

This report ensures compliance with the Council's approved Financial Regulation C.39. [RLD 19/06/2024]

Finance: [PH 17/06/2024].

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 Council to mitigate against the risk of unexpected insurance claims

Human Resources: [KH 18/06/2024]

No implications

Environmental/Sustainability

None.

Equalities:

None

Background Papers

None

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