

Report To:	CABINET	Date:	14th JUNE 2018
Heading:	COUNCIL'S INSURANCE REQUIREMENTS		
Portfolio Holder:	COUNCILLOR ROBERT SEARS-PICCAVEY- CABINET MEMBER (INWARD)		
Ward/s:			
Key Decision:	YES		
Subject to Call-In:	YES		

Purpose of Report

This report is to provide members with the latest position with regards to insurance funds, and premiums paid.

Recommendation(s)

Members are asked to note the contents of the annual report on insurance.

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

The Council needs to have adequate insurance cover to mitigate against potential future risk. Insurance cover provided by insurers comes at a significant cost to the Authority (see table 2 below for the current premium charges).

It is a statutory requirement for the Council to have certain types of insurance e.g. Employee Liability Insurance but there is not a statutory requirement for other types such as Property Insurance.

Ashfield District Council has the following Insurance:

- Property – Provides cover for damage to property,
- Employee Liability – Provides cover for injury to Council employees whilst on Council business,
- Public Liability – Provides cover for any injury to members of the public as a result of actions carried out by the Council,
- Fidelity Guarantee – Provides cover for mistakes made by Council Officers,
- Contractor All Risk – Provides cover for transportable assets owned by the Authority e.g. equipment,
- Computer – Provides cover for loss or damage to IT equipment owned by the Authority
- Motor – Provides cover for all of the Council's motor vehicles.

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

- Self Insurance funds (Reserves)
- External insurance

This report provides Members with an up to date assessment of both of these arrangements.

1. Self Insurance Funds (Insurance Reserves)

The transactions of the Insurance Funds for 2017/18 are summarised below:

General Fund Insurance Reserve

	Liability Fund £000	Property Fund £000	Employee Tools £000	TOTAL £000
Balance at 1 st April 2017	(122)	(206)	0	(328)
Leaseholders contribution	0	(7)	0	(7)
Transfer from Property Fund to Liability Fund	0	10	(10)	0
Credits received from insurance company	(86)	(25)	0	(111)
Interest	0	(1)	0	(1)
Claims Paid	191	37	2	230
General Fund Budget Contribution	(75)	0	0	(75)
Reduction in Liability Provision	(18)	(2)	0	(20)
Balance at 31 st March 2018	(110)	(194)	(8)	(312)

Housing Revenue Account (HRA) Insurance Reserve

	HRA Insurance Fund £000
Balance at 1 st April 2017	(85)
Claims Paid	0
Contributions to Reserve	(50)
Balance at 31 st March 2018	(135)

1.1 Liability Fund

The Council has Liability insurance cover. However, if a claim is successfully made against the Authority, the Council still has to pay part of the claim i.e. the excess. Small claims often fall below the excess, which result in the Authority having to settle 100% of the value of these claims. The Liability Fund was created in order to provide funding for the liability claims where the costs have to be met by the Council rather than insurers.

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.

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 individual cases develop.

The total estimated cost of all outstanding claims is provided for in the 2017/18 Statement of Accounts.

A transfer from the General Fund of £75k has been made to top up the reserve in order to fund 2018/19 liabilities. A further £75,000 General Fund contribution is budgeted for 2018/19.

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

Outstanding claims are usually higher for the last financial year due to recent claims still having to be resolved.

Year	Total Number of Claims	Number of Claims Outstanding	Value £'000
2017/18	23	8	73
2016/17	22	2	43
2015/16	15	2	26
2014/15	20	1	2
2013/14	16	2	27
2012/13	34	2	26
MMI Provision (See paragraph 3.2)			65
Total	130	17	262

1.3 Property Fund

The property fund was created in order to provide funding for those claims that cannot be recovered from the Council's insurers because they fall below the excess or are above the excess in which case the Authority still has to pay the excess amount out of its own funds. The Council has and externally insures numerous properties throughout the District. Therefore, the potential for claims to arise is significant; the fire in the Canteen at the Council Offices in 2008 highlights the substantial risks of having a large property portfolio.

As at the 31st March 2018 there were seven claims still to be settled with an estimated value of £9k.

1.4 Employee Tools

There have been claims paid to two individual employees one for £950 and the other for £590.

1.5 Housing Revenue Fund (HRA)

A £50k contribution from the HRA was made to this reserve during 2017/18.

2. Renewal of External Insurance Policies

The new premiums under the new contract for 2018/19 and comparison to 2017/18 are shown below. The figures shown exclude the 10% Insurance Premium Tax (IPT) payable in 2017/18 and 12% IPT payable in 2018/19. The IPT has been excluded from the below in order to provide like for like comparisons.

Type of Cover & Insurer	Insurer	2017/18 £000	Insurer	2018/19 £000
Property	AIG and HSB via RMP	103	Protector Forsikring	78
Liability/Fidelity Guarantee	Travelers	139	Travelers	89
Contractors All Risk	HSB via RMP	12	Protector Forsikring	4
Engineering Inspection	HSB via RMP	12	Arthur J. Gallagher	28
Computer	HSB via RMP	3	Protector Forsikring	1
Motor Vehicle	QBE via RMP	112	Protector Forsikring	69
TOTAL		381		269

The total premiums have reduced by £112k excluding IPT and by £118k when IPT is included. The main reason for the reduction in premium is due to the Council going out to tender to re-procure its Insurance Requirements and achieving greater value for money.

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 £14k which has been provided for in the Council's 2017/18 accounts.

3.2 Municipal Mutual Insurance Liability (MMI)

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.

Under the scheme a levy of £63k was paid in 2013/14 and £42k in 2015/16. The Council's full liability relating to these outstanding claims is £382k. The Council have been advised by its Insurance brokers to provide for £65k of this amount, which has been included in the Council's 2017/18 accounts.

4. Risk Management Fund

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

There have been no changes to the Risk Management Fund balance in 2017/18 other than a small interest contribution of £32. The balance of this fund is currently £7,912.

It is proposed to undertake an independent external review of insurance schedules by Autumn 2018 to ensure the adequacy of insurance reserves and arrangements.

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 Regulations.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	General Fund Revenue Budget will benefit from the lower than anticipated premiums.
General Fund – Capital Programme	None.
Housing Revenue Account – Revenue Budget	Housing Revenue Account Budget will benefit from the lower than anticipated premiums.
Housing Revenue Account – Capital Programme	None.

Risk:

Risk	Mitigation
The Council has to settle numerous claims up to the excess figure agreed with its insurers.	The insurance reserves help to mitigate against any costs that the Council may face for insurance claims up to the Authority's claim excess.

Human Resources:

No Human Resources Implications.

Equalities:

(to be completed by the author)

Other Implications:

(if applicable)

Reason(s) for Urgency

(if applicable)

Reason(s) for Exemption

(if applicable)

Background Papers

(if applicable)

Report Author and Contact Officer

Sharon Lynch
Corporate Finance Manager
s.lynch@Ashfield.gov.uk
01623 457202