

**REPORT FOR: GOVERNANCE, AUDIT
AND RISK
MANAGEMENT
COMMITTEE**

Date of Meeting: 21 September 2011

Subject: **INFORMATION REPORT -
Council Insurance
Arrangements**

Responsible Officer: Tom Whiting, Assistant Chief Executive

Exempt: No

Enclosures: Appendix 1 – Claims Analysis

Section 1 – Summary

This report sets out the Council's current insurance arrangements, including self-funding, and provides information on the main insurable risks faced by the Council.

FOR INFORMATION

Section 2 – Report

2.1 The Insurance Service

2.1.1 The Insurance Service comprises a team of four officers, whose ambition is to deliver an efficient, economic and high quality service that meets customer needs, corporate priorities and statutory requirements.

2.1.2 The main aims and areas of responsibility of the service are:

- To provide a comprehensive insurance service, including the maintenance and development of an extensive insurance programme
- To provide a comprehensive claims handling service to internal and external customers
- To provide advice and guidance to the Council on all insurance matters
- To work in partnership with all departments to manage and reduce the Council's exposure to insurable risk

2.1.3 All claims against the Council are handled by the Council's in-house team with the exception of personal injury claims, which are handled by external claims handlers, Cunningham Lindsey.

2.1.4 Claims are handled strictly on the basis of legal liability in accordance with established insurance principles, case law and legislation.

2.2 Procurement of External Insurance Contracts

2.2.1 Harrow Council is a member of the Insurance London Consortium (ILC). The ILC, which was established in 2009 following the demise of the London Authorities Mutual Ltd, comprises nine London boroughs, namely Camden, Croydon, Haringey, Harrow, Islington, Kingston, Lambeth, Sutton, and Tower Hamlets.

2.2.2 Consortium members are committed to the ILC under the terms of a Section 101 Agreement and Croydon is the designated Accountable Body.

2.2.3 The purpose of the consortium is to:

- Develop a shared agenda approach to risk management and insurance services through joint procurement and information sharing;

- Reduce costs through combined purchasing power, sharing of ideas and the adoption of efficiency improvements and best practice;
- Provide a network and forum for consortium members to pursue matters of mutual interest;
- Provide a mechanism to deliver projects and services that are most effectively delivered through a combined approach; and
- Develop the ILC by exploring the extension of membership and / or procurement remit.

2.2.4 All of the Council's external insurance contracts have been tendered as part of the ILC, with the exception of Leasehold Buildings insurance, Commercial Property insurance, Personal Accident and Travel insurance, which are subject to existing long-term agreements.

2.2.5 Upon the expiry of existing long-term agreements all remaining external insurance contracts will be tendered as part of the ILC.

2.2.6 The success of the consortium approach continues to be demonstrated through the achievement of competitive pricing. External premium expenditure totalled £1,238,134 in 2009/10 and £1,008,148 in 2010/11 (both figures inclusive of Insurance Premium Tax). Further premium savings of £110,000 were delivered in 2011/12.

2.2.7 Annual contributions to the insurance provision are also made; the agreed contribution for 2010/11 was £929,995, which was increased to £1,180,000 in 2011/12.

2.2.8 In addition to financial savings, consortium members also benefit from enhanced policy cover through a policy wording specifically tailored to the requirements of the ILC. Furthermore the ILC has recently secured full Crime cover for its members, which is traditionally difficult to secure and is essentially a first in the public sector. At a time when the threat posed by third party fraud is perceived to be increasing, the enhanced cover will provide assurance to the Council for such risks.

2.3 Self-Funding

2.3.1 In line with most local authorities, Harrow Council has a mix of external and internal insurance cover. The balance between these arrangements is constantly reviewed against claims statistics to ensure that the Council achieves best value, whilst remaining adequately protected.

- 2.3.2 Most of the Council's external insurance policies are subject to large policy excesses (deductibles), which are set out in the table below.

Class of Business	Excess
Liability	£300,000
Property	£200,000
Motor	£100,000

- 2.3.3 The level of excess is set on a prudent basis in line with similar local authorities and recognised best practice.
- 2.3.4 Claims that fall within the policy excesses are met from the Council's insurance provision and are handled on the same terms and conditions as the external insurance policies.
- 2.3.5 Claims for damage to third party property caused by the influence of the roots of Council trees are entirely self-funded.
- 2.3.6 The Council's maximum financial liability under each class of business is capped by an annual stop loss aggregate, details of which are specified in the table below.

Class of Business	Aggregate Stop Loss
Liability	£3.75 million
Property	£1 million
Motor	£350,000

- 2.3.7 Full details of the Council's insurances are published in the Guide to the Council's Insurance Arrangements, which is available on the Intranet.

2.4 Fund Performance

- 2.4.1 The Council's insurance provision is subject to an independent actuarial review, which takes place every three years.
- 2.4.2 The provision was subject to a mini-review as at 31 March 2010, at which time the fund was deemed to be adequate at £5.1 million.
- 2.4.3 A further actuarial review is scheduled to be commissioned in late 2011 to assess the continuing adequacy of the provision.

2.5 Claims Analysis

- 2.5.1 The total number of claims against the Council peaked in the 2006/07 policy year. Claim numbers have subsequently fallen and have remained fairly static since the 2007/08 policy year, as illustrated by chart 1 of Appendix 1.

- 2.5.2 Based of the 2010/11 policy year, Public Liability claims account for 49% of all claims received and 67% of claim costs (payments and reserves).
- 2.5.3 The top three causes, which account for 57% of Public Liability claims received, are potholes (29%), paving trips (15%) and tree related subsidence (13%).
- 2.5.4 The top causes in terms of financial cost to the Council are tree related subsidence (44%) and paving trips (20%). Pothole claims account for less than 4% of Public Liability claim costs.
- 2.5.5 In the same policy year Motor claims account for 38% of claims received, but only 11% of claim payments.
- 2.5.6 Property claims account for 6% of claims received and 10% of claim payments.
- 2.5.7 The number of claims and cost of claims by class of business is illustrated by charts 2 and 3 of Appendix 1.
- 2.5.8 The total of claim payments made from the Council's funds fell significantly from £1.83 million in 2009/10 to £1.08 million in 2010/11, as illustrated by chart 4 of Appendix 1.
- 2.5.9 Analysis of claims data reveals that Harrow receives 6.5 Public Liability claims per 1000 population and the cost of claims per 1000 population is £10,200. This compares favourably to benchmarked figures, which show the corresponding average figures to be 7.7 and £18,200 respectively.
- 2.5.10 Similarly, for Employers' Liability claims Harrow receives 8.8 claims per 1000 FTE with a cost of £137,000 per 1000 FTE. Again this compares favourably to benchmarked figures, which show the corresponding average figures to be 14.7 and £149,000 respectively.
- 2.5.11 78% of Public Liability claims and 52% of Employers' Liability claims submitted against the Council are successfully repudiated.

2.6 Risk Management

- 2.6.1 In conjunction with the other ILC members the Insurance Service has embarked upon a number of initiatives to manage and reduce insurable risk.
- 2.6.2 As part of their winning tender submission the Council's insurers offered a loss control allowance of £160,000 across the consortium for expenditure on joint risk management initiatives.
- 2.6.3 Several joint initiatives have taken place, or have been scheduled, including risk management standards reviews of highways, motor and property risks, and a review of fraud procedures.

2.6.4 A programme of regular monitoring and feedback has been implemented with key departments, such as highways, fleet managers, and the arboricultural team to identify claims trends and share lessons learned.

Section 3 – Further Information

There is no further information to be provided beyond section 2 of this report.

Section 4 – Financial Implications

The insurance programme has been developed as part of a risk financing strategy and is subject to regular actuarial reviews, which are taken account of in the MTFS.

Section 5 – Corporate Priorities

The Insurance Service is a corporate function, which supports all Council services and schools in delivering the corporate priorities.

Name: Steve Tingle	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 5 September 2011		

Section 6 - Contact Details and Background Papers

Contact: Karen Vickery, Service Manager – Insurance Tel: 0208 424 1995 (ext. 2995)

Background Papers: None

Chart 1

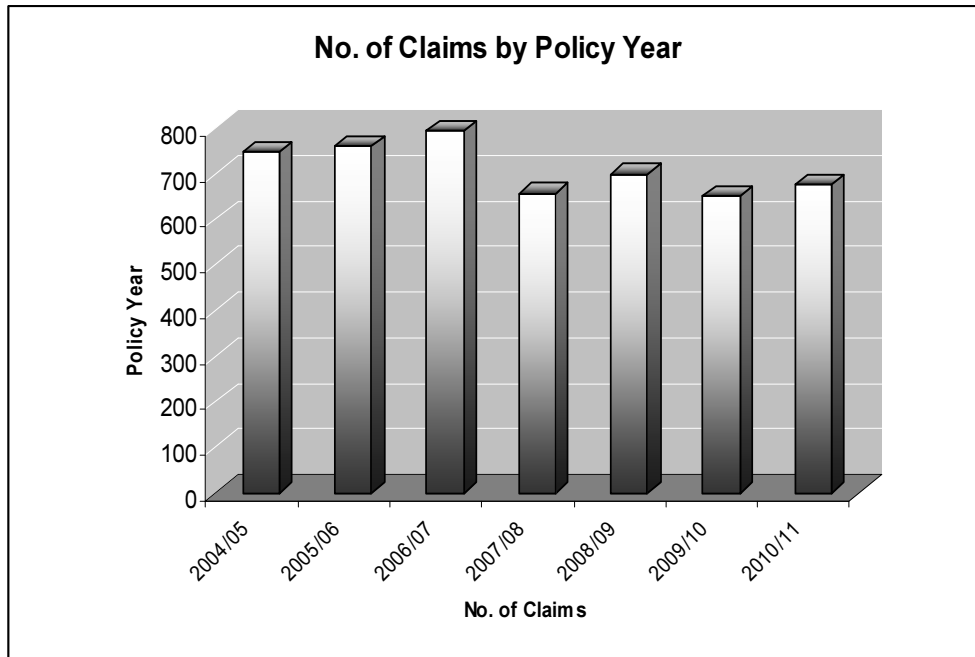


Chart 2

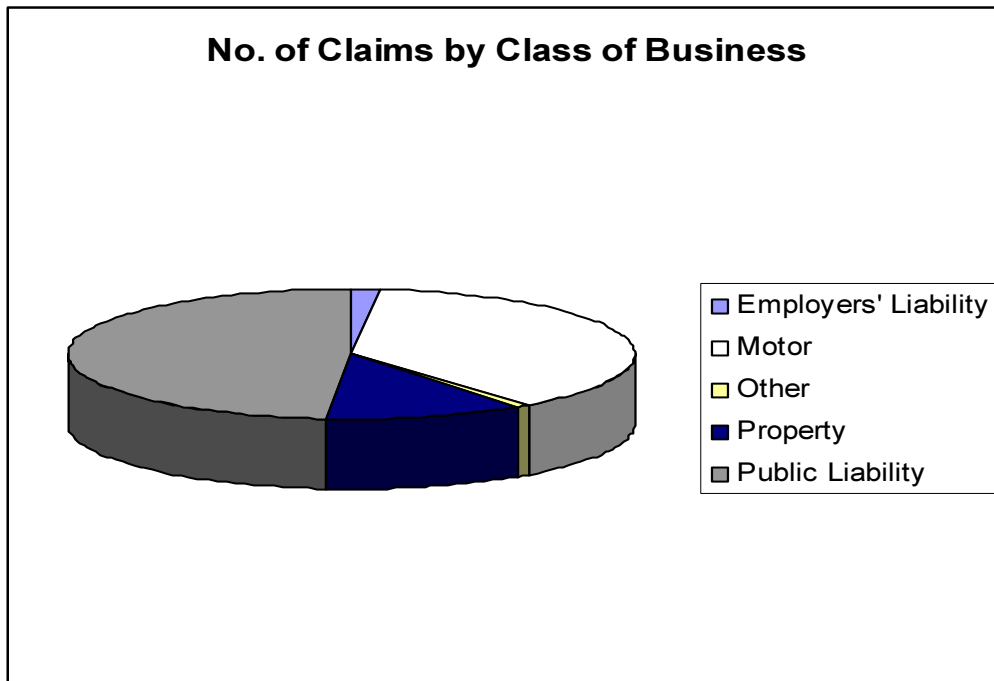


Chart 3

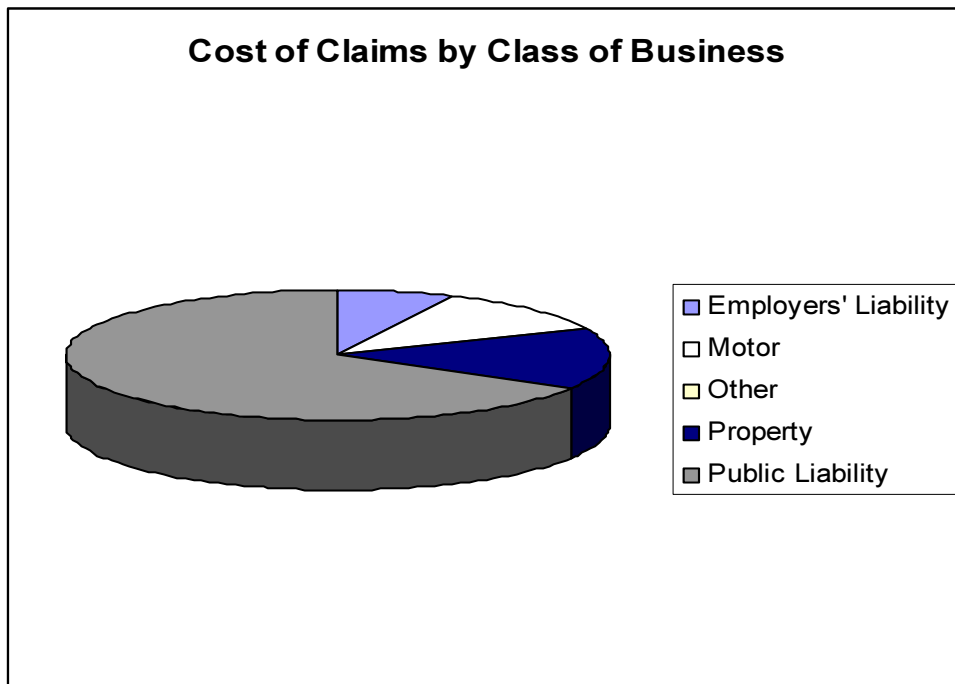


Chart 4

