
Decision Maker: RESOURCES, COMMISSIONING & CONTRACTS
MANAGEMENT PORTFOLIO HOLDER

Date: For pre-decision scrutiny by the Executive, Resources & Contracts PDS
Committee on Wednesday 18th November 2020

Decision Type: Non-Urgent Executive Non-Key

Title: INSURANCE FUND - ANNUAL REPORT 2019/2020

Contact Officer: Viknesh Gill, Insurance & Risk Manager
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Chief Officer: Director of Finance

Ward: (All Wards);

1. Reason for report

- 1.1 This report advises Members of the position of the Insurance Fund as at 31st March 2020 and presents statistics relating to insurance claims for the last two years. In 2019/20, the total Fund value increased from £3.984m to £4.396m. A mid-year review of the Fund has also been carried out and at this stage, it is estimated that the final Fund value as at 31st March 2021 will increase to approximately £4.6m. The position will continue to be monitored throughout the year.

2. RECOMMENDATION(S)

- 2.1 The Resources, Commissioning and Contracts Management Portfolio Holder is requested to note the contents of the report.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Corporate Policy

1. Policy Status: Existing policy. To maintain appropriate levels of insurance cover to ensure adequate cover for Council properties, assets and services.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A
 2. Ongoing costs: N/A
 3. Budget head/performance centre: Insurance Fund
 4. Total current budget for this head: £4.396m (Fund balance as at 31/03/2020)
 5. Source of funding: Insurance Fund – contributions from revenue, interest earned on balance
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Personnel

1. Number of staff (current and additional): 1 current Insurance & Risk Manager
 2. If from existing staff resources, number of staff hours: Insurance claims are handled under a shared services arrangement with the London Borough of Sutton
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Legal

1. Legal Requirement: No statutory requirement or Government guidance :
 2. Call-in: Applicable:
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Procurement

1. Summary of Procurement Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approx. 450 claims are received each year across all insurance covers
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? N/A
2. Summary of Ward Councillors comments: N/A - Council wide

3. COMMENTARY

3.1 Background

- 3.1.1 Like most organisations, ensuring adequate insurance cover is in place is one of the ways that the Council manages risk. It is the responsibility of the Council to determine the best balance between the level of premiums paid to external insurers and internal self-insurance arrangements paid from the Insurance Fund earmarked reserve.
- 3.1.2 The Council has a number of separate insurance policies, and these policies are subject to excess and stop-loss arrangements so that claims are only chargeable to the insurers if the cost of an individual claim is greater than the excess and/or if the aggregate of all claims exceeds the relevant stop-loss. The aggregate stop-loss is designed so that the Insurance Fund is protected in the event of a significant claim or a large number of successful claims.
- 3.1.3 The Fund balance remained fairly stable at around £3m until 2016/17 when it began to increase slightly and the trend in recent years has been a gradual increase in the Fund, as illustrated in the table in paragraph 6.1. The balance (to cover new claims notified after 31st March 2020) stood at £4.396m at 31st March 2020.
- 3.1.4 Very little guidance is given on a prudent level of reserves for insurance claims, but the Financial Conduct Authority generally supports the principle that it should be based on a realistic assessment of the value of known unsettled claims. Accordingly, in addition to the Fund balance, the Council carries a provision on its Balance Sheet for the estimated proportion of claims received that will be settled. As at 31st March 2020, the provision stood at £1.802m.
- 3.1.5 In the Insurance Annual Report for 2018/19, Members were informed that, at that stage, it was estimated that the Fund balance would remain at around £4.0m for 2019/20. The value of claims for the rest of the year was lower than the projections, and the remaining balance at year end was £4.396m. The increase in fund value was mainly due to claims settled during the year being lower than the total of interest accrued to the fund, the annual contribution from the revenue budget and the movement in the estimated value of unsettled claims. As at 31st March 2020, there were 351 open claims.
- 3.1.6 The position of the Fund has been reviewed as at 1st October 2020 and, based on the estimated value of claims received to that date, it is anticipated that the Fund balance will increase marginally to around £4.6m at the end of 2020/21. As at 1st October 2020, there were 232 open claims. The position will continue to be monitored throughout the year.

3.2 Insurance Claim Handling Arrangements

- 3.2.1 The Council has historically handled self-insured claims in-house (with the exception of own fault or disputed motor claims involving a third-party), as well as managing more serious/complex claims in liaison with the insurer. This service was performed by the Royal Borough of Greenwich (RBG) under a shared service arrangement from January 2014 to 31st March 2020.
- 3.2.2 Following the expiry of the shared service agreement with RBG, the Council commenced an insurance claims handling agreement on 1st April 2020 for a period of 5 years with the London Borough of Sutton (LBS). The agreement with LBS has the same service specification as the one with RBG. This proposal was agreed in the Executive, Resources & Contracts PDS Committee on Wednesday 9th October 2019.

- 3.2.3 LBS are a local authority experienced in handling similar insurance claims to those received by the Council due to their prior experience of operating integrated insurance services for the London Borough of Kingston and a number of local authorities in Surrey. As a result of this, LBS have a large insurance team and their existing integrated services agreements ensure that they have sufficient resilience and experience to provide a good claims handling service for the Council
- 3.2.4 The client function at Bromley is undertaken by the Insurance and Risk Manager who sits within the Audit and Assurance team of the Finance department. The Insurance and Risk Manager is responsible for the management of the overall service including the authorisation of all claim payments, meeting with insurers and broker, annual reviews of insurance cover and performance monitoring in line with the terms of the service specification that has been drawn up and agreed with LBS. Quarterly meetings are held between the Insurance & Risk Manager, LBS, insurance broker and casualty/property insurance providers.
- 3.2.5 The Council's insurance is categorised across the following 'business classes':-
- Employer's Liability – All employers are required to insure their staff during the course of their employment, both for their actions and against injury.
 - Public Liability – This covers a wide range of risks for injury and damage that the public may be exposed to as a result of Council actions or omissions.
 - Motor – This includes the Council's vehicles, minibuses and staff leased cars.
 - Property – This is for the property issues for Council assets such as fire, storm and floods.
 - Terrorism – This covers physical loss or damage to property, loss of rental income and increased cost of working (business interruption) on a first loss basis, for any act of terrorism or sabotage. This was a new policy from 1st August 2016.
 - Other – These are minor policies such as travel, school journey insurance and fidelity guarantee.

3.3 Insurance Policy Providers

- 3.3.1 The Council completed an OJEU tender exercise in early 2019 for new insurance policies which commenced on 1st May 2019. The long term agreement is for a period of 5 years with an option to extend for a further period of three years. The outcome of this tender exercise was outlined in the 'Contract Award: Insurance policies' report (FSD190) that was presented to Executive in March 2019. The Council's current Insurance Policies and providers are listed in the table below:

Insurance Policy	Insurance Provider as of 1st May 2019
Casualty (Public & Employers Liability, Professional & Officials Indemnity)	Maven Public Sector
Motor	Zurich Municipal
Property	Travelers Insurance Co
Terrorism	Atrium Underwriting Ltd
School Journey	Risk Management Partners
Personal Accident & Travel	Risk Management Partners
Fidelity Guarantee	Risk Management Partners

- 3.3.2 The Insurance & Risk Manager has quarterly meetings with the Council's insurance broker and both casualty and property insurers who have not raised any concerns regarding the Council's claims in the first full policy year of 2019/20. In particular, the Council's property insurers (Travelers Insurance Co) have recently confirmed a 10% premium rebate due to low claims in 2019/20.
- 3.3.3 As part of the new property policy, Travelers Insurance Co are keen to obtain a better understanding of the Council's property portfolio and the management of these properties. The insurers undertook an inspection of the Civic Centre site in October 2019 and highlighted some risk improvements which are being addressed. In addition to this, the insurers are undertaking inspections of some other Council sites during 2020/21.

3.4 Reviews of the Insurance Service

- 3.4.1 The Insurance Section was subject to an internal audit review during 2019/20 which was undertaken by Mazars LLP in order to maintain independence under the joint framework agreement with the London Borough of Croydon. The overall audit opinion was that of reasonable assurance. One medium priority finding (priority 2) was identified and has been actioned following the commencement of the Council's claims handling agreement with LBS.
- 3.4.2 The total payments and stop losses of casualty claims going back to 2010 are outlined in the table below:

Insurer	Policy Year	Start Date	Stop loss	Total Payments	Outstanding Estimate	Total Claims	Under Stop Loss
			£'000	£'000	£'000	£'000	£'000
Travelers	2010/11	01/05/2010	1,275	913	3	916	362
Travelers	2011/12	01/05/2011	1,275	680	0	680	595
Travelers	2012/13	01/05/2012	1,326	589	0	589	737
Travelers	2013/14	01/05/2013	1,353	505	5	511	848
Travelers	2014	01/05/14 - 17/06/14	1,531	101	0	101	1,430
Zurich Municipal	2014/15	17/06/14 - 1/5/15	1,965	497	43	540	1,468
Zurich Municipal	2015/16	01/05/2015	1,965	187	41	228	1,778
Zurich Municipal	2016/17	01/05/2016	1,965	240	127	367	1,725
Zurich Municipal	2017/18	01/05/2017	2,500	199	186	386	2,301
Zurich Municipal	2018/19	01/05/2018	2,500	145	440	585	2,355
Maven Public Sector	2019/20	01/05/2019	1,750	31	429	461	1,719

The above table shows the total value of claims currently paid (total payments) and the insurance claim reserves (outstanding estimate) on claims that are currently open. The total of both amounts is shown in the total claims column and illustrates that the Council have not breached the stop loss in any of the last 10 policy years.

3.4.3 The policy excess and stop loss figures for the Council's major insurance policies for 2019/20 are outlined in the table below:

	2019/2020		
Policy	Excess (£'000)		Aggregate Stop Loss (£'000)
Property			
General	125	}	
Education	250		750
Storm/Flood	125		
Casualty	125		1,750
Motor	50		250

From the table in 3.4.2, the highest total claims payment of casualty claims in the last 10 years is £916k in 2010/11 which is well below the current stop loss of £1.75m. The historical total claim amounts of the last 10 years would indicate that the current stop loss of £1.75m is set at an appropriate level in order to balance the level of insurance premium with a stop loss that is unlikely to be breached

3.4.4 Internal recharges are made to the revenue budget for both the insurance premiums and the contribution to the Insurance Fund to cover the cost of claims met by the Council. The recharge basis takes account of claims records and premium charges for individual service areas. The cost of claims is met directly from the Fund until the stop-loss is reached.

3.5 Insurance Claims

3.5.1 Claims statistics for the main categories of insurance cover for 2018/19, 2019/20 and 2020/21 to date are detailed in the following table. These show claims submitted in these financial years as at 1st October 2020 in respect of incidents/accidents taking place, but not necessarily reaching settlement. The table also shows the total number of outstanding claims for all years and the estimated value.

	2018/19		2019/20		2020/21 to date		Total Outstanding	
	No	Paid	No	Paid	No	Paid	No	Outstanding
Policies subject to excess / stop loss								
Property Damage All Risk	9	£39,258.80	9	£18,632.00	8	£847.00	15	£109,408.00
Public Liability	341	£165,054.79	292	£38,056.36	75	£3,645.98	178	£1,328,423.52
Employers Liability	1	£0.00	0	£0.00	0	£0.00	1	£7,188.14
Officials Indemnity	0	£0.00	0	£0.00	0	£0.00	1	£0.00
Total	351	£204,313.59	301	£56,688.36	83	£4,492.98	195	£1,445,019.66
Vehicle Policies								
Leased Car Fleet	46	£63,465.87	47	£66,515.04	15	£14,126.28	36	£40,714.49
Motor Fleet	0	£0.00	0	£0.00	0	£0.00	1	£5,000.00
Total	46	£63,465.87	47	£66,515.04	15	£14,126.28	37	£45,714.49

- 3.5.2 The number of claims relating to 2018/19 have increased when compared with the figures included in last year's annual report, reflecting the fact that claims are often received some time after the occurrence of an incident. However, the total amount outstanding compared to the last year's report has significantly decreased by £577k. The reason for this is due to a large recovery of £264k costs on a public liability claim from 2011/12 and also claims being repudiated or settled at a lower value than initially estimated.
- 3.5.3 The figures above reflect claims received up to 1st October 2020 and will likely increase as further claims are made. The deadlines for submitting claims are as follows: injuries can be notified up to 3 years after the incident occurred (or up to the age of 21 for minors at the time), property claims up to 6 years, and without limit for historic mesothelioma, abuse, noise related or repetitive injury claims. Courts can also waive limitation periods e.g. when the claimant has mental health issues.
- 3.5.4 It should be noted that although the total value of outstanding claims is just under £1.5m, this is unlikely to be the actual cost to the Council of these claims. The Council will settle the claim if it believes that it is liable or it does not have a defence in law. If not, the claim will be repudiated. Following the repudiation there will be a period of some uncertainty before the claim is closed as the claim may be challenged through the legal process.
- 3.5.5 The table below provides a summary of the claims by financial year in respect of incidents/accidents taking place and shows those that are still in progress, redirected to a third party, repudiated or settled.

Financial Year	No of Claims	In Progress	Redirected	Repudiated / Closed	Settled
2010	510	0.4%	5.5%	38.0%	56.1%
2011	446	0.0%	5.6%	32.7%	61.7%
2012	438	0.0%	6.6%	34.5%	58.9%
2013	467	0.2%	3.0%	52.9%	43.9%
2014	421	0.7%	4.3%	59.4%	35.6%
2015	346	1.2%	2.3%	67.6%	28.9%
2016	345	2.9%	3.8%	64.9%	28.4%
2017	377	5.8%	2.4%	62.6%	29.2%
2018	397	12.1%	3.5%	54.2%	30.2%
2019	349	22.7%	8.6%	50.1%	18.6%
2020 (to date)	100	88.0%	9.0%	1.0%	2.0%

- 3.5.6 From a review of the claims received, the Council has received 349 claims for incidents that occurred in 2019/20 with 22.7% of these claims still in progress. The majority of these claims received are public liability claims made against the Council which are broken down into highways, trees and other claims shown in Table 1 of Appendix 2.

- 3.5.7 Table 3 of Appendix 2 is a new addition to the Insurance Fund annual report and breaks down the public liability claims received each month for the financial year of 2019/20. The majority of these claims received during the course of the financial year are highways claims received from January to March 2020 and could possibly be attributed to the weather conditions over the winter months. However, it should be noted that these figures are still likely to change as new claims are submitted relating to previous years (as detailed in paragraphs 3.5.3 and 3.5.4).
- 3.5.8 Tables 1 and 2 of Appendix 1 show the number and total cost of claims by the financial year the incident occurred. As indicated in paragraph 3.5.4 and highlighted by the repudiation rate in the table in paragraph 3.5.5, a significant proportion of the claims currently shown as outstanding will ultimately not be paid.
- 3.5.9 Of the claims received in 2019/20, around 80% of the total number relate to Public Liability claims. The public liability claim numbers and payments based on the financial year the incident occurred are shown on Tables 1 and 2 of Appendix 2.

4. IMPACT ON VULNERABLE ADULTS AND CHILDREN

N/A

5. POLICY IMPLICATIONS

- 5.1 To maintain appropriate levels of insurance cover to ensure adequate cover for Council properties, assets and services.

6. FINANCIAL IMPLICATIONS

- 6.1 The table below shows movements into and out of the Insurance Fund in recent years and gives an indication of the volatility and unpredictability of the value of claims settled and outstanding each year. An estimate of the position for 2020/21 is also included in the table.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 (est)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fund balance b/f	3,022	2,981	2,888	3,099	3,373	3,717	3,984	4396
Revenue contribution to Fund	1,300	800	800	800	800	800	800	800
Interest	35	65	73	81	75	78	89	75
Claims (actual and estimated)	-1,376	-958	-662	-607	-531	-611	-477	-700
Fund balance c/f	2,981	2,888	3,099	3,373	3,717	3,984	4,396	4,571

7. PERSONNEL IMPLICATIONS

- 7.1 An insurance claims handling service is provided by staff from the London Borough of Sutton under a shared services arrangement.

8. PROCUREMENT IMPLICATIONS

N/A

Non-Applicable Sections:	4. IMPACT ON VULNERABLE ADULTS AND CHILDREN 8. PROCUREMENT IMPLICATIONS
Background Documents: (Access via Contact Officer)	<ul style="list-style-type: none">- Insurance Fund – Annual Report 2018/19, Executive and Resources PDS Committee, 9th October 2019- Gateway 0/1: Procurement Strategy for Integrated Insurance Agreement, Executive and Resources PDS Committee, 9th October 2019- Contract Award: Insurance Policies, Executive 27th March 2019

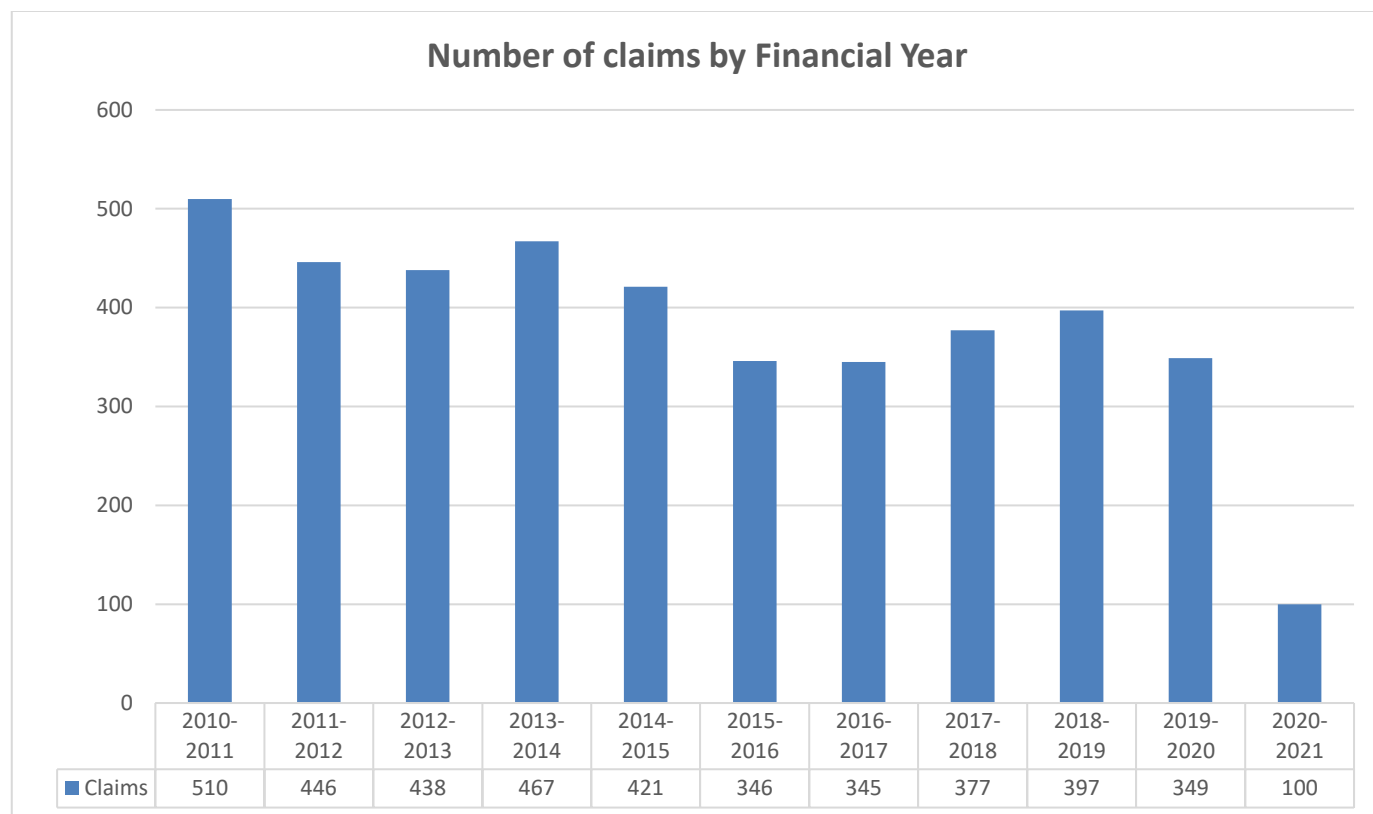
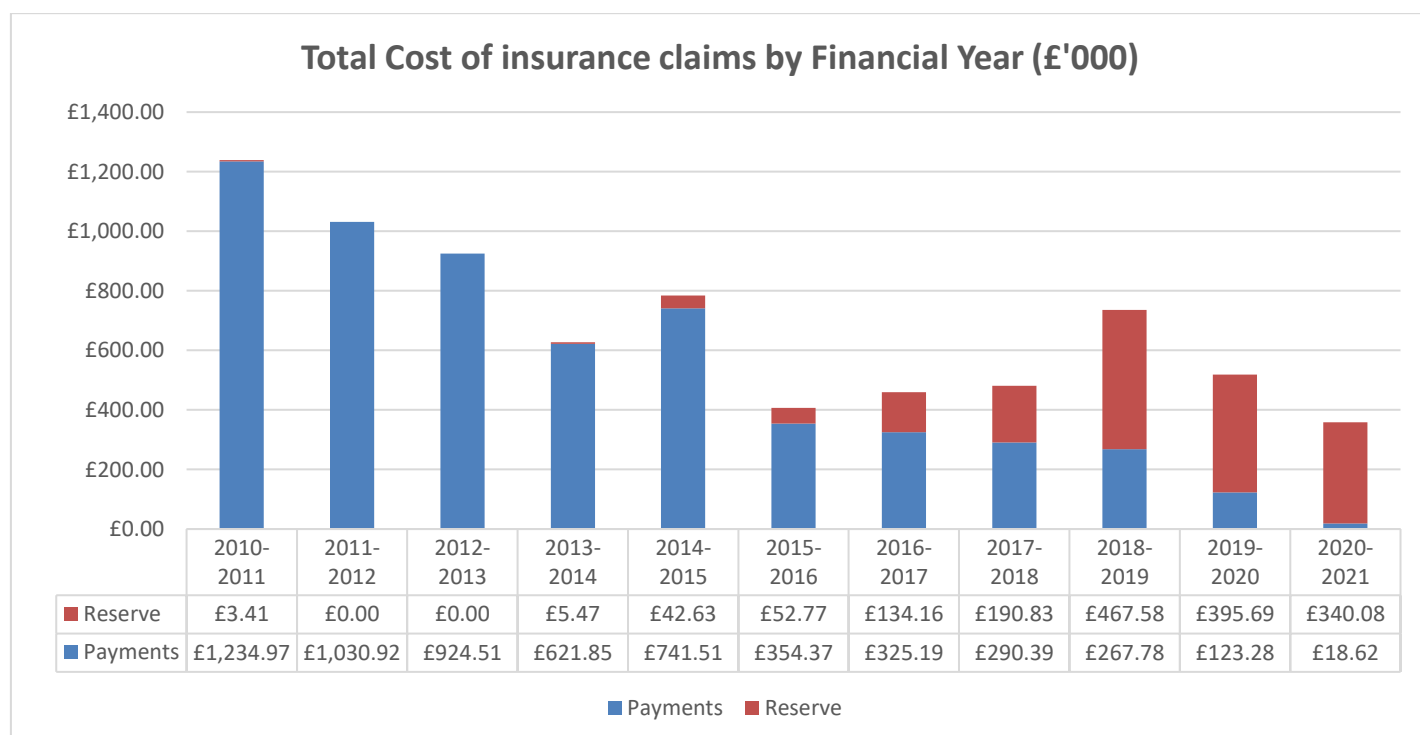
Table 1**Table 2**

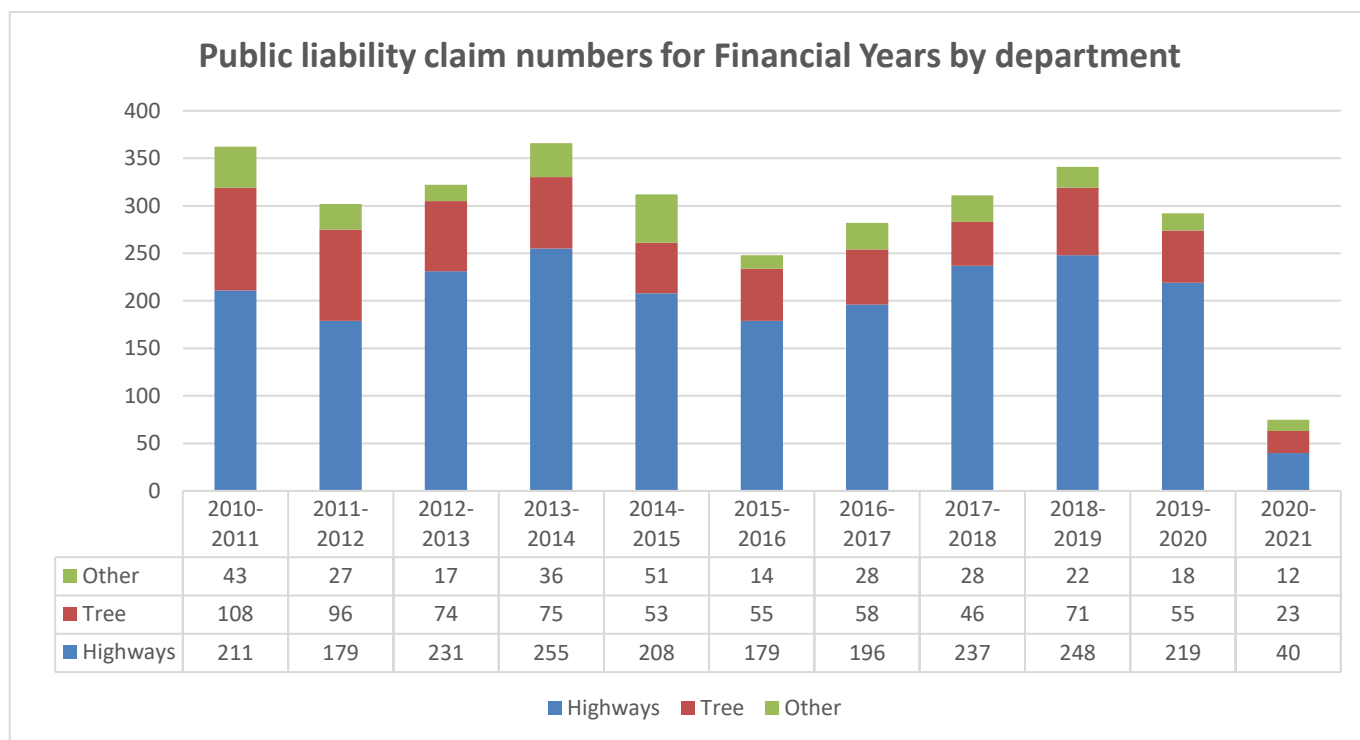
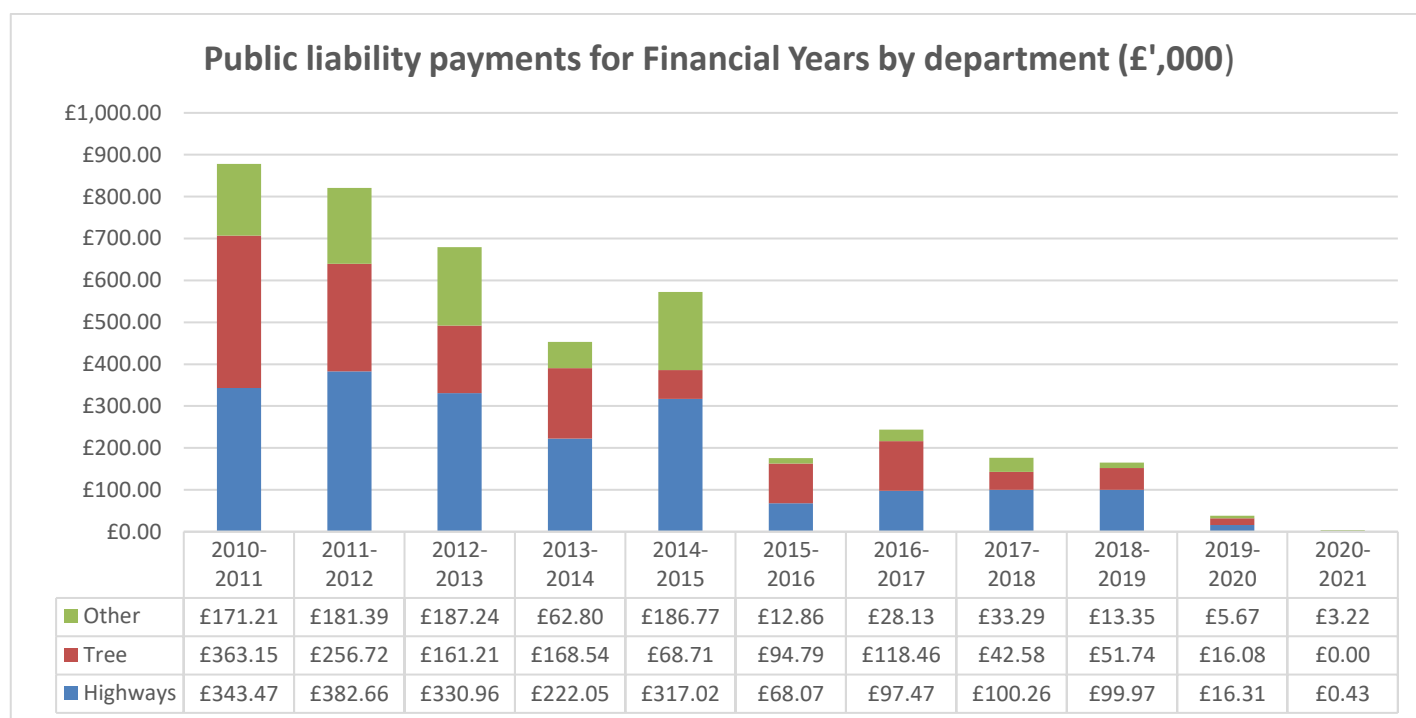
Table 1**Table 2**

Table 3

Public liability claims received by department for Financial Year 2019-20

