

**Decision Maker:** RESOURCES, COMMISSIONING & CONTRACTS  
MANAGEMENT PORTFOLIO HOLDER

**Date:** For pre-decision scrutiny by the Executive, Resources & Contracts PDS  
Committee on Thursday 18<sup>th</sup> November 2021

**Decision Type:** Non-Urgent Executive Non-Key

**Title:** INSURANCE FUND - ANNUAL REPORT 2020/2021

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

**Ward:** (All Wards);

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**1. Reason for report**

- 1.1 This report advises Members of the Insurance Fund position as at 31<sup>st</sup> March 2021 and presents statistics relating to insurance claims for the last two years. In 2020/21, the total Fund value decreased from £4.396m to £4.383m. 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 31<sup>st</sup> March 2022 will increase to approximately £4.413m. The position will continue to be monitored throughout the year.
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**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: £4.383m (Fund balance as at 31/03/2021)
  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 trend in previous years has been a gradual increase in the Fund balance and in the last 2 years it has been stable at around £4.4m, as illustrated in the table in paragraph 6.1. The balance (to cover new claims notified after 31<sup>st</sup> March 2021) stood at £4.383m as at 31<sup>st</sup> March 2021.
- 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 31<sup>st</sup> March 2021, the provision stood at £2.188m.
- 3.1.5 In the Insurance Fund Annual Report for 2019/20, reported to Members on the 18<sup>th</sup> November 2020, it was estimated that the Fund balance would increase slightly to around £4.5m for 2020/21. The value of claims for the rest of the year was marginally higher than the projections, and the remaining balance at year end was £4.383m. The decrease in fund value was mainly due to claims settled during the year being higher 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 31<sup>st</sup> March 2021, there were 302 open claims.
- 3.1.6 The position of the Fund has been reviewed as at 1<sup>st</sup> October 2021 and, based on the estimated value of claims received to that date, it is anticipated that the Fund balance will increase to around £4.413m at the end of 2021/22. As at 1<sup>st</sup> October 2021 there were 331 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 31<sup>st</sup> March 2020.
- 3.2.2 Following the expiry of the shared service agreement with RBG, the Council commenced an insurance claims handling agreement on 1<sup>st</sup> 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 previously held with RBG. This proposal was agreed by the Executive, Resources & Contracts PDS Committee on Wednesday 9<sup>th</sup> October 2019.

3.2.3 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 claims manager, insurance broker and casualty/property insurance providers.

3.2.4 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 1<sup>st</sup> 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 1<sup>st</sup> 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:

<b>Insurance Policy</b>	<b>Insurance Provider as of 1<sup>st</sup> May 2019</b>
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. Neither insurers have raised any concerns regarding the Council's claims in the first 2 full policy years of 2019/20 and 2020/21. In particular, the Council's property insurers (Travelers Insurance Co) have recently confirmed a 10% premium rebate due to low claims in 2020/21.

3.3.3 Travelers Insurance Co were keen to obtain a better understanding of the Council's property portfolio and the management of these properties by undertaking site visits during the course of 2020/21. However, these site visits were cancelled as a result of the Covid-19 restrictions and are being re-arranged for 2021/22.

### 3.4 Reviews of the Insurance Service

3.4.1 The total payments and stop losses of casualty claims going back to 2011 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	2011/12	01/05/2011	1,275	680	0	680	595
Travelers	2012/13	01/05/2012	1,275	589	0	589	686
Travelers	2013/14	01/05/2013	1,275	505	5	511	770
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	515	19	534	1,450
Zurich Municipal	2015/16	01/05/2015	1,965	222	204	426	1,743
Zurich Municipal	2016/17	01/05/2016	1,965	264	219	482	1,701
Zurich Municipal	2017/18	01/05/2017	2,500	236	161	397	2,264
Zurich Municipal	2018/19	01/05/2018	2,500	251	583	834	2,249
Maven	2019/20	01/05/2019	1,750	160	351	511	1,590
Maven	2020/21	01/05/2020	1,750	99	562	660	1,651

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 across the last 10 policy years. 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.

3.4.2 The policy excess and stop loss figures for the Council's major insurance policies for 2020/21 are outlined in the table below:

	2020/2021		
Policy	Excess (£'000)		Aggregate Stop Loss (£'000)
<b>Property</b>			
General	125	}	
Education	250		750
Storm/Flood	125		
<b>Casualty</b>	125		1,750
<b>Motor</b>	50		250

From the table in 3.4.1, the highest total claims payment of casualty claims in the last 10 years is £680k in 2011/12 which is well below the current stop loss of £1.75m. The historical total claim amounts of the last 10 policy 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

- 3.4.3 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 2019/20, 2020/21 and 2021/22 to date are detailed in the following table. These show claims submitted in these financial years as at 1<sup>st</sup> October 2021 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.

	2019/20		2020/21		2021/22 to date		Total Outstanding	
	No	Paid	No	Paid	No	Paid	No	Outstanding
<b>Policies subject to excess / stop loss</b>								
Property Damage All Risk	10	£107,116.55	15	£2,426.20	6	£874.13	19	£62,729.00
Public Liability	300	£158,888.53	254	£106,689.34	112	£1,064.26	201	£1,183,953.41
Employers Liability	0	£0.00	1	£0.00	0	£0.00	1	£9,000.00
Officials Indemnity	1	£3,265.00	2	£0.00	2	£0.00	5	£68,620.28
<b>Total</b>	<b>311</b>	<b>£269,270.08</b>	<b>272</b>	<b>£109,115.54</b>	<b>120</b>	<b>£1,938.39</b>	<b>226</b>	<b>£1,324,302.69</b>
<b>Vehicle Policies</b>								
Leased Car Fleet	50	£68,694.62	29	£59,415.70	14	£6,578.49	29	£91,509.75
Motor Fleet	0	£0.00	2	£1,078.70	2	£0.00	2	£5,000.00
<b>Total</b>	<b>50</b>	<b>£68,694.62</b>	<b>31</b>	<b>£60,494.40</b>	<b>16</b>	<b>£6,578.49</b>	<b>31</b>	<b>£96,509.75</b>

- 3.5.2 The number of claims relating to 2019/20 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 decreased by £70k. The reason for this is due to claims being repudiated or settled at a lower value than initially estimated.
- 3.5.3 The figures above reflect claims received up to 1<sup>st</sup> October 2021 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 over £1.4m, 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
2011-2012	445	0.0%	5.6%	32.6%	61.8%
2012-2013	438	0.0%	6.6%	34.5%	58.9%
2013-2014	467	0.2%	3.1%	53.2%	43.7%
2014-2015	420	0.2%	4.3%	59.5%	36.2%
2015-2016	348	1.5%	2.3%	67.2%	29.0%
2016-2017	347	3.3%	3.7%	64.8%	28.2%
2017-2018	377	2.6%	2.7%	64.2%	30.5%
2018-2019	400	8.9%	3.3%	54.5%	33.3%
2019-2020	361	8.9%	9.3%	56.0%	25.8%
2020-2021	303	37.0%	8.6%	37.6%	16.8%
2021 to date	137	83.2%	5.8%	9.5%	1.5%

- 3.5.6 From a review of the claims received, the Council has received 303 claims for incidents that occurred in 2020/21 with just over a third 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 was a new addition to the 2019/20 Insurance Fund annual report and breaks down the public liability claims received each month for the financial year of 2020/21. When compared to the table from 2019/20 (Table 4 of Appendix 2), it is evident that the total public liability claims received in 2020/21 have reduced by 59. However, when analysing the breakdown between tree and highways claims over the course of 2020/21 compared to 2019/20, it is apparent that tree claims have actually increased by 25, and highways claims have significantly reduced by 85. This could possibly be attributed to changed behavioural patterns as a result of the Covid-19 restrictions during 2020/21 such as reduced use of highways. 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 2020/21, 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 2021/22 is also included in the table.

	2017/18	2018/19	2019/20	2020/21	2021/22 (est)
	£'000	£'000	£'000	£'000	£'000
Fund balance b/f	3,373	3,717	3,984	4,396	4,383
Revenue contribution to Fund	800	800	800	800	800
Interest	75	78	89	88	80
Claims (actual and estimated)	-531	-611	-477	-901	-850
Fund balance c/f	<b>3,717</b>	<b>3,984</b>	<b>4,396</b>	<b>4,383</b>	<b>4,413</b>

## 7 PERSONNEL IMPLICATIONS

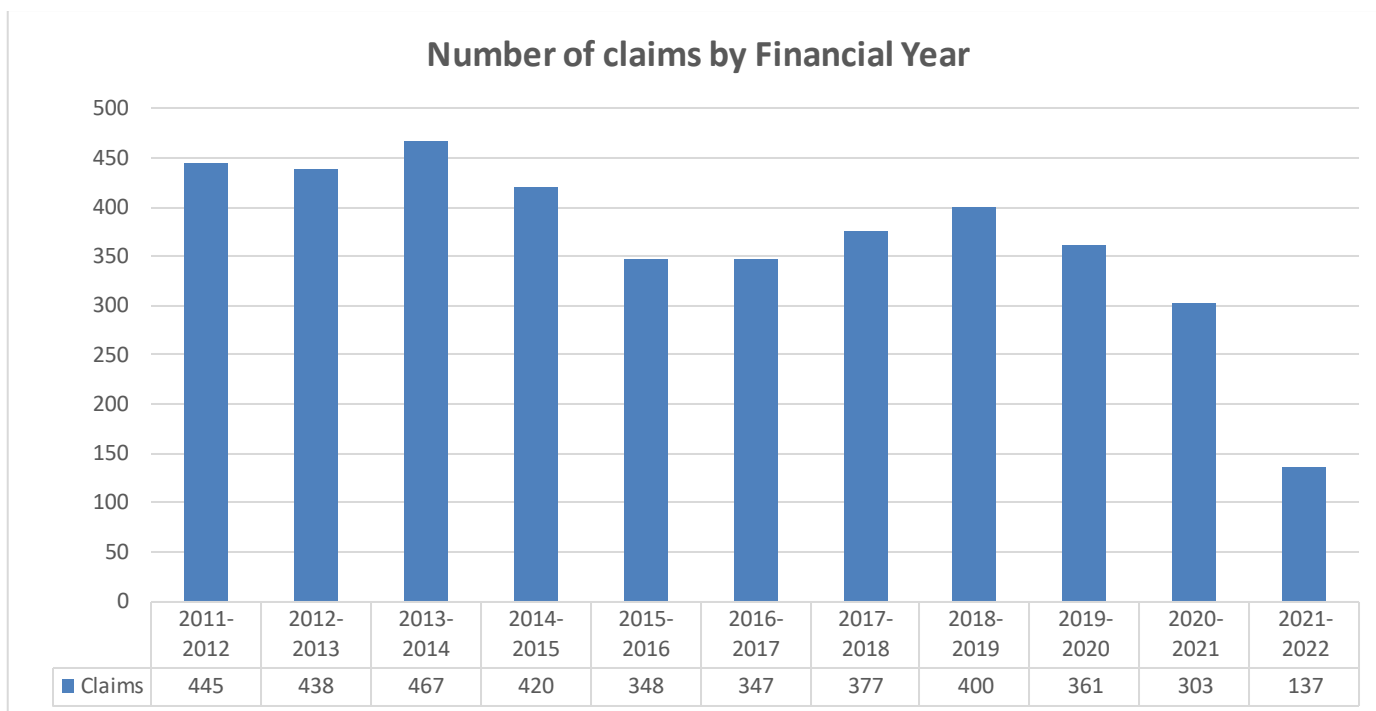
7.1 An insurance claims handling service is provided by staff from the London Borough of Sutton under a shared services arrangement.

## 8 PROCUREMENT IMPLICATIONS

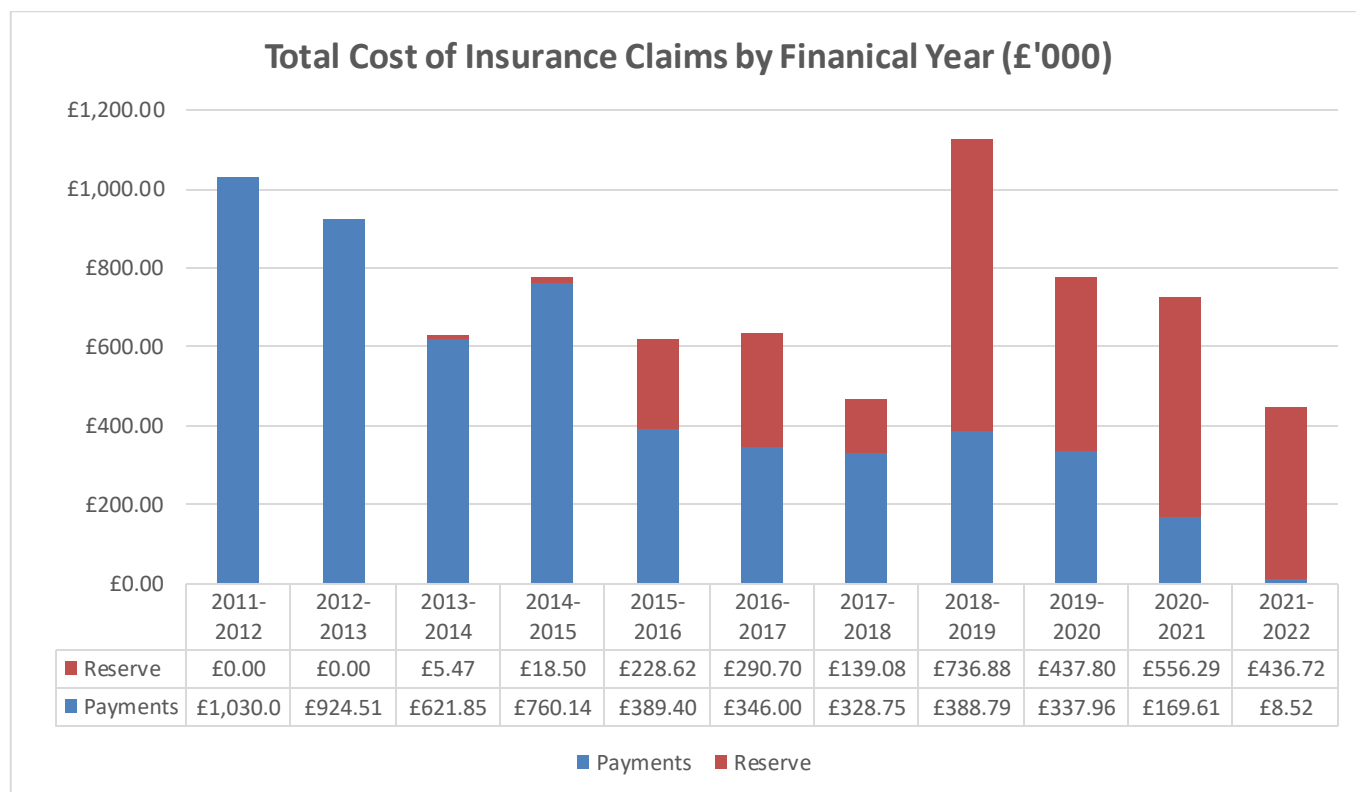
N/A

<b>Non-Applicable Sections:</b>	4. IMPACT ON VULNERABLE ADULTS AND CHILDREN 8. PROCUREMENT IMPLICATIONS
Background Documents: (Access via Contact Officer)	<ul style="list-style-type: none"> <li>- Insurance Fund – Annual Report 2019/20, Executive and Resources PDS Committee, 18<sup>th</sup> November 2020</li> <li>- Gateway 0/1: Procurement Strategy for Integrated Insurance Agreement, Executive and Resources PDS Committee, 9<sup>th</sup> October 2019</li> <li>- Contract Award: Insurance Policies, Executive 27<sup>th</sup> March 2019</li> </ul>

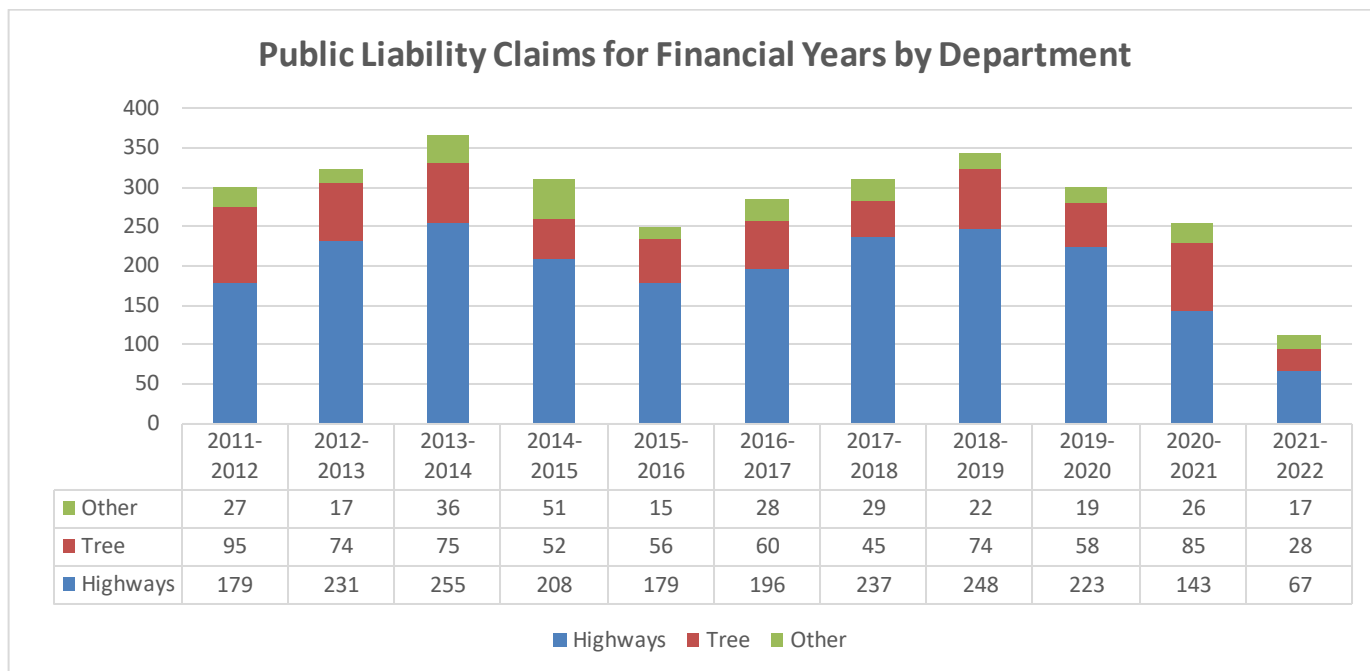
**Table 1**



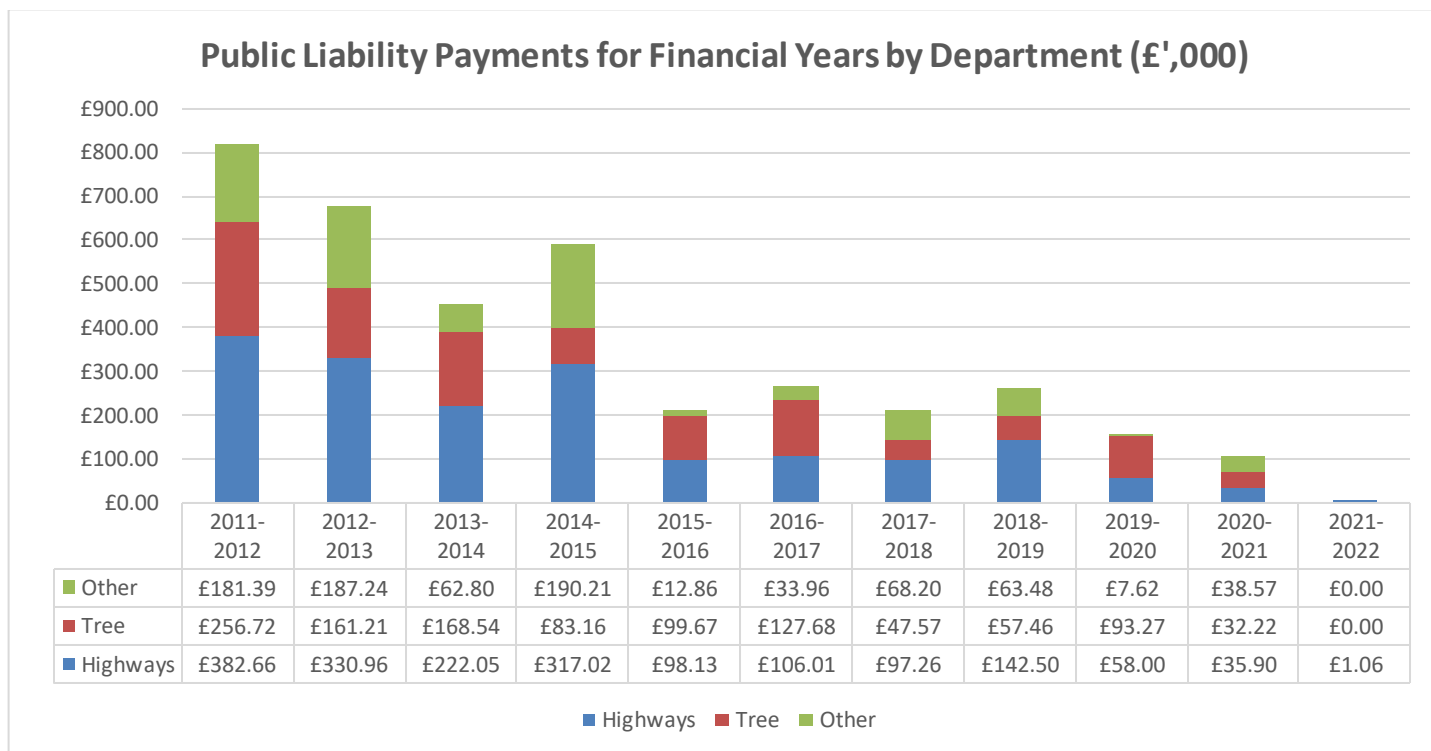
**Table 2**



**Table 1**

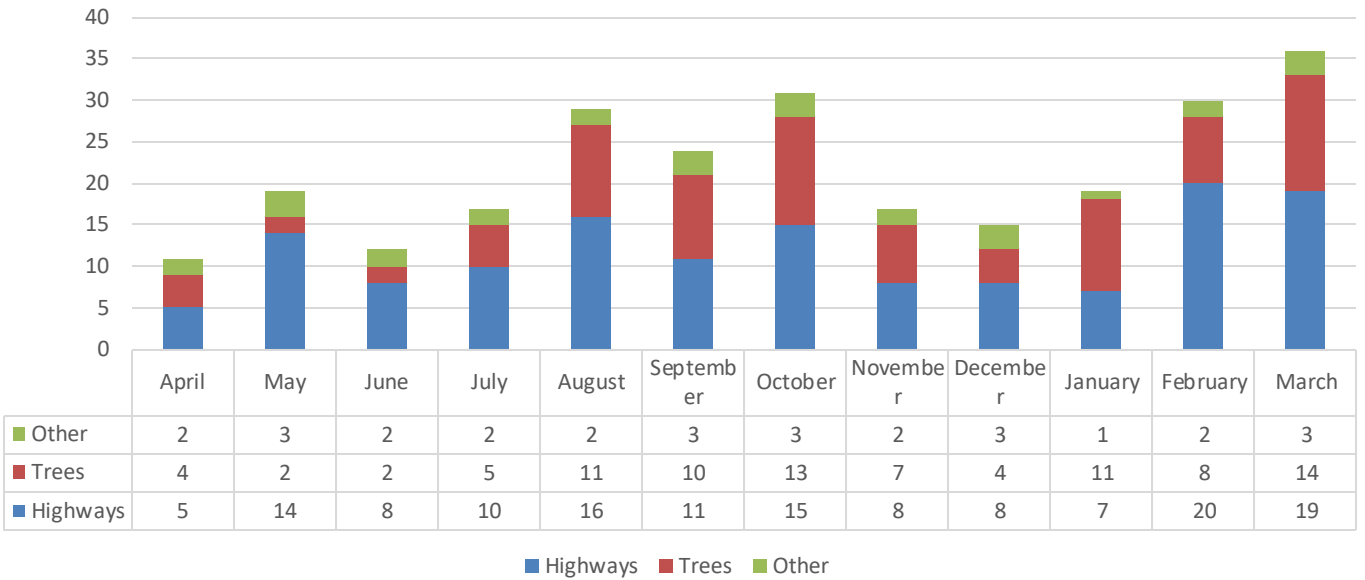


**Table 2**



**Table 3**

**Public Liability Claims received by Department for Financial Year 2020-21**



**Table 4**

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

