

Decision Maker: RESOURCES, COMMISSIONING & CONTRACTS
MANAGEMENT PORTFOLIO HOLDER

Date: For pre-decision scrutiny by the Executive, Resources & Contracts PDS
Committee on Wednesday 23rd November 2022

Decision Type: Non-Urgent Executive Non-Key

Title: INSURANCE FUND - ANNUAL REPORT 2021/2022

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 Insurance Fund position as at 31st March 2022 and presents statistics relating to insurance claims for the last two years. In 2021/22, the total Fund value decreased from £4.383m to £4.002. 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 2023 will decrease to approximately £3.488m. The position will continue to be monitored throughout the year, but Members are asked to note at this stage that potential additional contributions may need to be considered as part of the 2023/24 budget setting process.
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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
 - Note the potential increase in contributions to the Insurance Fund for the 2023/24 budget setting process.

Impact on Vulnerable Adults and Children

1. Summary of Impact: N/A
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Transformation Policy

1. Policy Status: Existing policy. To maintain appropriate levels of insurance cover to ensure adequate cover for Council properties, assets and services
 2. Making Bromley Even Better Priority:
To manage our resources well, providing value for money, and efficient and effective services for Bromley's residents.
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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: £4.002m (Fund balance as at 31/03/2022)
 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 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: The Council have both Employers Liability and Motor policies which are required by law
 2. Call-in: Not Applicable:
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Procurement

1. Summary of Procurement Implications: N/A
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Property

1. Summary of Property Implications: N/A
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability 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 for the Fund in the last 2 years has been stable at around £4.4m. However, as illustrated in the table in paragraph 6.1, the Fund has decreased during the course of 2021/22. The balance (to cover new claims notified after 31st March 2022) stood at £4.002m as at 31st March 2022.
- 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 2022, the provision stood at £2.813m.
- 3.1.5 In the Insurance Fund Annual Report for 2020/21, reported to Members on the 18th November 2021, it was estimated that the Fund balance would increase slightly to around £4.4m for 2021/22. The decrease in fund value highlighted in Paragraph 3.1.3 was due to the value of actual claim payments for the rest of the year being higher than the projections, resulting in an increase of £137k compared to 2020/21. In addition to this, there was a significant increase of £238k in the estimated value of unsettled claims provision compared to 2020/21. As a result of both of these issues, the remaining balance at year end was £4.002m. As at 31st March 2022, there were 308 open claims.
- 3.1.6 The position of the Fund has been reviewed as at 24th October 2022 and, based on the estimated value of claims received to that date, it is anticipated that the Fund balance will decrease to approximately £3.488m at the end of 2022/23. As of 18th October 2022 there were 302 open claims. The position will continue to be monitored throughout the year. Based on the need to retain an adequate level of provision for insurance claims, additional contributions to the Insurance Fund may be required as part of the 2023/24 budget setting process.

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.
- 3.2.2 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). This proposal was agreed by the Executive, Resources & Contracts PDS Committee on Wednesday 9th 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 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. During the course of 2021/22, liability insurers have raised concern regarding an increase in high value claims above £100k. As at 18th October 2022, the Council currently have 4 liability claims reserved at over £100k. At the time of last year's report, the Council did not have any such claims. This position will continue to be monitored but is important to note that all 4 current claims have different incident circumstances.

3.3.3 Travelers Insurance Co completed site visits of the Council's property portfolio during 2021/22 that were interrupted as a result of the Covid-19 restrictions in the previous year. Following

these site visits, Travelers identified some risk improvements for the specific properties they inspected.

3.4 Reviews of the Insurance Service

3.4.1 The total payments and stop losses of casualty claims going back to 2012 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	2012/13	01/05/2012	1,275	589	0	589	686
Travelers	2013/14	01/05/2013	1,275	505	5	511	764
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	516	39	554	1,411
Zurich Municipal	2015/16	01/05/2015	1,965	237	192	430	1,535
Zurich Municipal	2016/17	01/05/2016	1,965	312	337	650	1,315
Zurich Municipal	2017/18	01/05/2017	2,500	243	178	420	2,080
Zurich Municipal	2018/19	01/05/2018	2,500	408	215	623	1,877
Maven	2019/20	01/05/2019	1,750	231	207	438	1,312
Maven	2020/21	01/05/2020	1,750	194	470	664	1,086
Maven	2021/22	01/05/2021	1,750	118	966	1,084	666

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 2021/22 are outlined in the table below:

	2021/2022		
Policy	Excess (£'000)		Aggregate Stop Loss (£'000)
Property			
General	125	}	750
Education	250		
Storm/Flood	125		
Casualty	125		1,750
Motor	50		250

From the table in 3.4.1, the highest total claims payment of casualty claims in the last 10 years is £589k in 2012/13 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 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 2020/21, 2021/22 and 2022/23 to date are detailed in the following table. These show claims submitted in these financial years as at 18th October 2022 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 their estimated value.

	2020/21		2021/22		2022/23 To date		Total Outstanding	
	No	Paid	No	Paid	No	Paid	No	Outstanding
Policies subject to excess / stop loss								
Property Damage All Risk	9	£5,006.95	6	£874.13	2	£0.00	7	£16,393.80
Public Liability	245	£185,488.34	280	£116,251.71	71	£6,186.14	191	£1,639,254.59
Employers Liability	2	£0.00	0	£0.00	0	£0.00	2	£31,000.00
Officials Indemnity	3	£1,504.80	3	£4,470.00	0	£0.00	1	£74,340.00
Total	259	£192,000.09	289	£121,595.84	73	£6,186.14	201	£1,760,988.39
Vehicle Policies								
Leased Car Fleet	26	£61,154.48	35	£32,961.74	20	£5,723.56	32	£34,144.53
Motor Fleet	2	£1,228.70	3	£22,202.04	0	£0.00	1	£1,351.00
Total	28	£62,383.18	38	£55,163.78	20	£5,723.56	33	£35,495.53

3.5.2 Compared with the figures in last year's annual report, the total amount of outstanding claims has reduced by 23 claims. However despite the reduction in claims, the total amount outstanding compared to last year's report has actually increased by £375k. The reason for this is mainly due to the 4 current open liability claims reserved at over £100k.

3.5.3 The figures above reflect claims received up to 18th October 2022 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 £1.8m, 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
2012-2013	397	0.0%	7.0%	35.8%	57.2%
2013-2014	467	0.2%	3.1%	53.1%	43.6%
2014-2015	421	0.5%	4.3%	59.1%	36.1%
2015-2016	349	1.4%	2.3%	67.3%	29.0%
2016-2017	346	1.5%	3.8%	65.9%	28.8%
2017-2018	380	2.4%	2.4%	63.9%	31.3%
2018-2019	391	3.3%	3.3%	58.3%	35.1%
2019-2020	365	4.4%	9.9%	57.3%	28.4%
2020-2021	287	15.7%	9.8%	51.9%	22.6%
2021-2022	327	33.9%	13.2%	41.0%	11.9%
2022 to date	94	83.0%	7.4%	7.4%	2.2%

3.5.6 From the

a review of claims received,

the Council has received 327 claims for incidents that occurred in 2021/22 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 breaks down the public liability claims received each month for the financial year of 2021/22. When compared to the table from 2020/21 (Table 4 of Appendix 2), it is evident that the total public liability claims received in 2021/22 have significantly increased by 86. 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, resulting in fewer claims received during the course of that year.
- 3.5.8 Tables 1 and 2 of Appendix 1 show the number and total cost of all 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 2021/22, 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 TRANSFORMATION/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 2022/23 is also included in the table. As noted in paragraph 3.1.6, the position will continue to be monitored but in order to retain an adequate provision for insurance claims, additional contributions may need to be considered as part of the 2023/24 budget setting process.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23 (est)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fund balance b/f	2,888	3,099	3,373	3,717	3,984	4,396	4,383	4,002
Revenue contribution to Fund	800	800	800	800	800	800	800	800
Interest	73	81	75	78	89	88	95	96
Claims (actual)	-716	-545	-872	-553	-66	-515	-652	-673
Change in provision for outstanding claims	54	-62	342	-57	-411	-386	-624	-737
Fund balance c/f	3,099	3,373	3,717	3,984	4,396	4,383	4,002	3,488

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 LEGAL IMPLICATIONS

- 8.1 The Council have both Employers Liability and Motor policies which are required by law.

9 PROPERTY IMPLICATIONS

- 9.1 The Council have property and terrorism insurance policies for all properties the Council are responsible for insuring.

10 CUSTOMER IMPACT

10.1 The Council receive approximately 450 claims each year across all insurance covers. Insurance claims are handled by staff from the London Borough of Sutton under a shared services arrangement.

Non-Applicable Sections:	4. Impact on Vulnerable Adults and Children, 9. Procurement Implications, 11. Carbon Reduction/Social Value Implications, 13. Ward Councillor Views
Background Documents: (Access via Contact Officer)	<ul style="list-style-type: none">- Insurance Fund – Annual Report 2020/21, Executive and Resources PDS Committee, 18th November 2021- 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

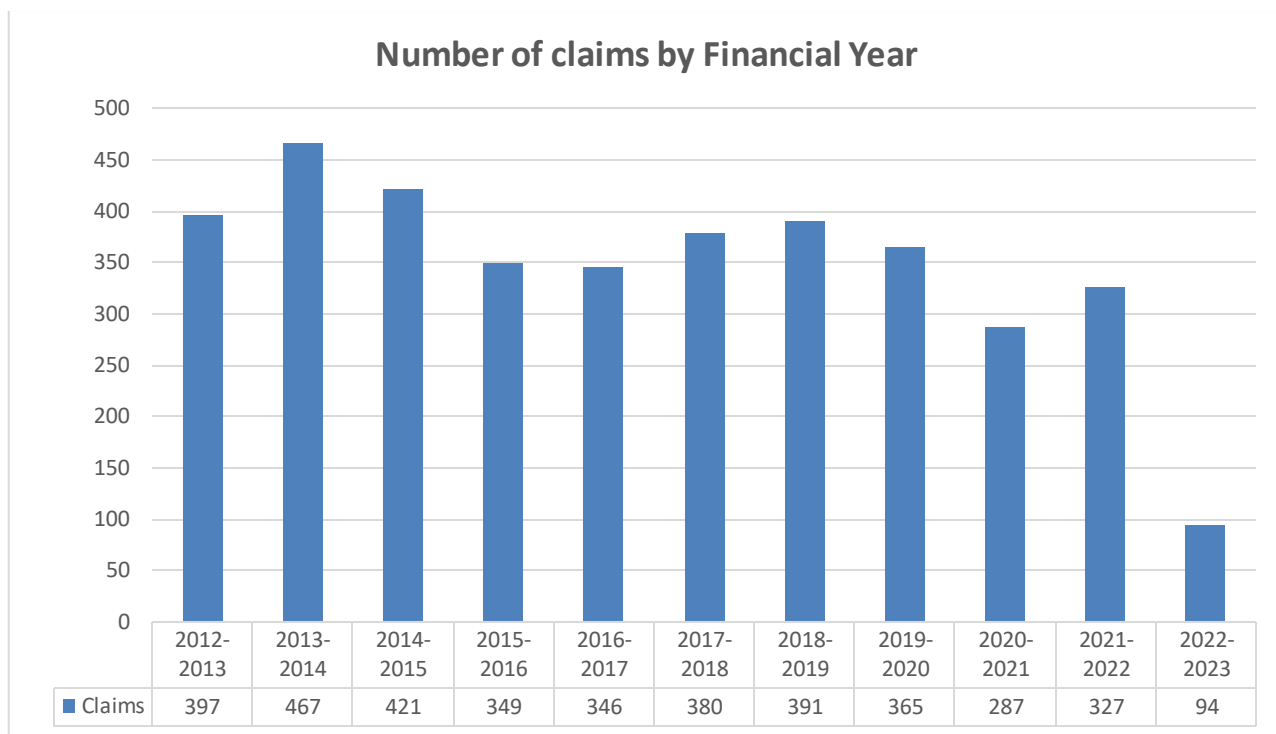


Table 2

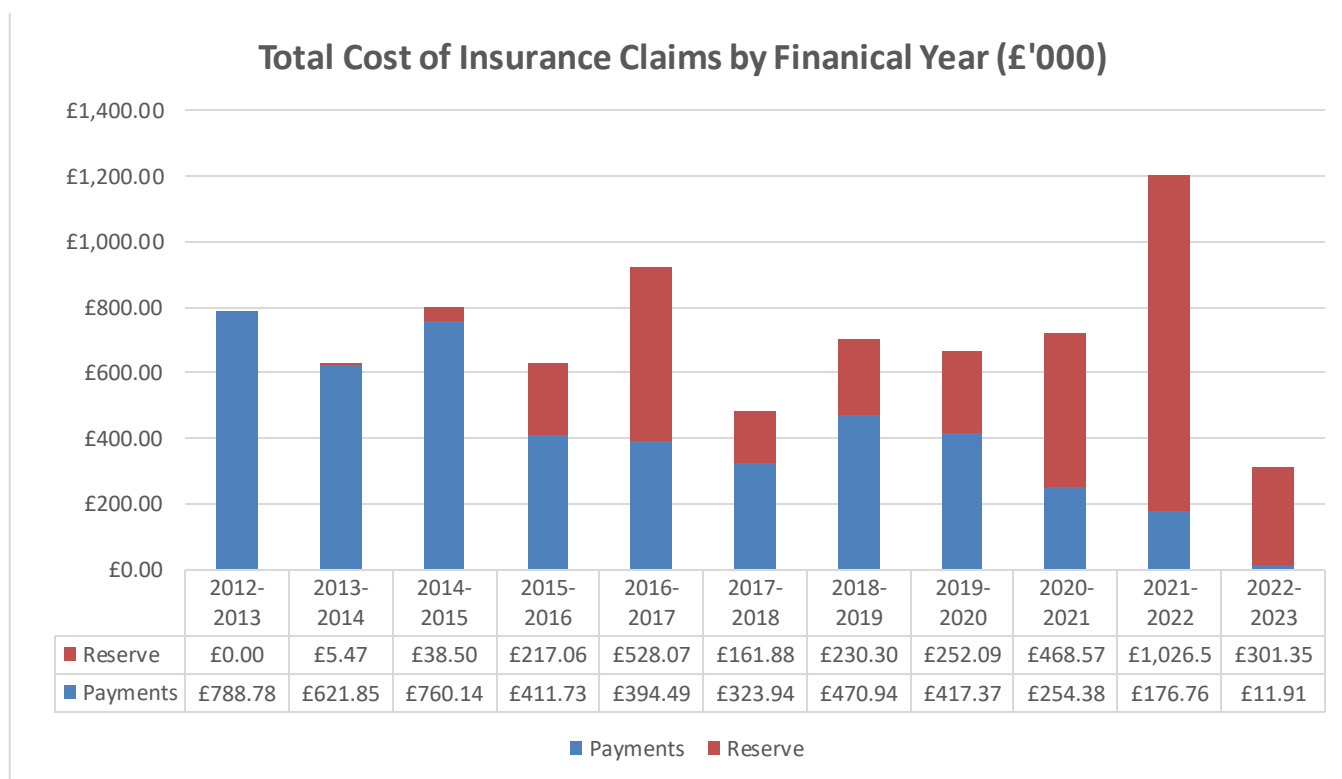


Table 1

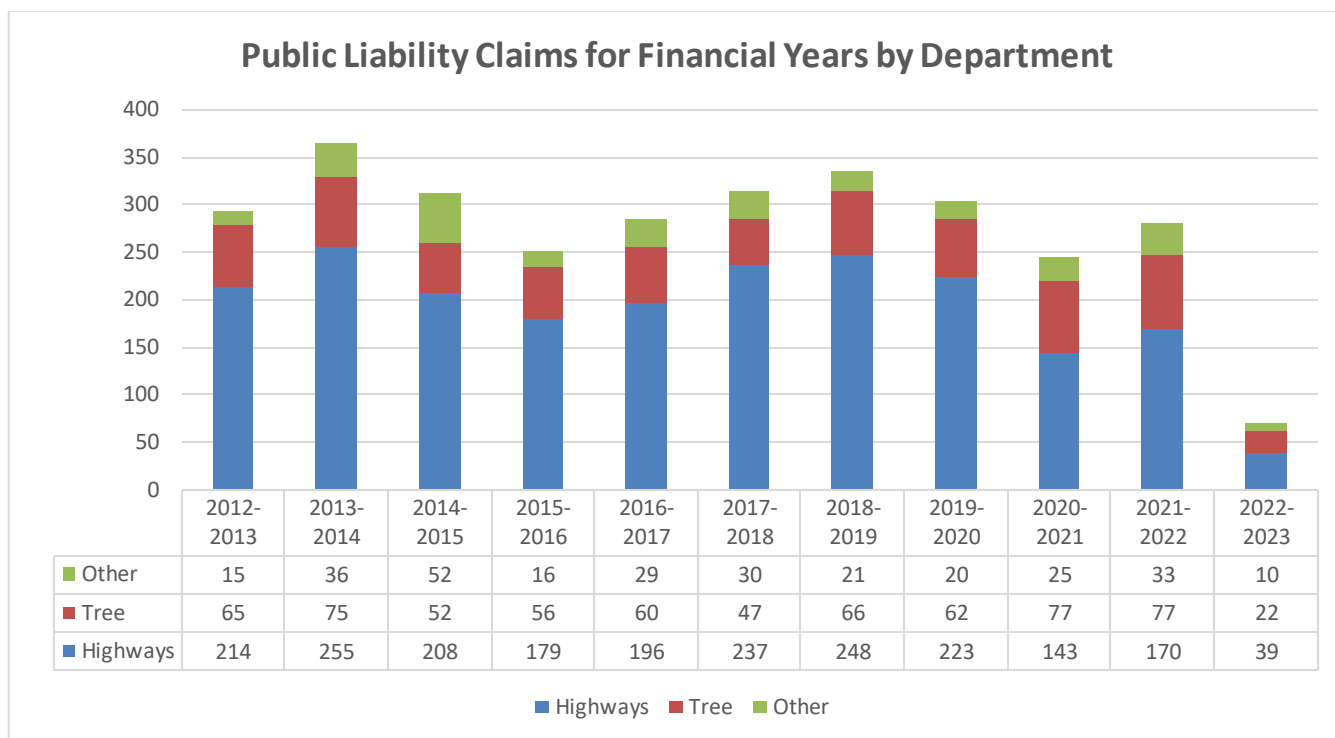


Table 2

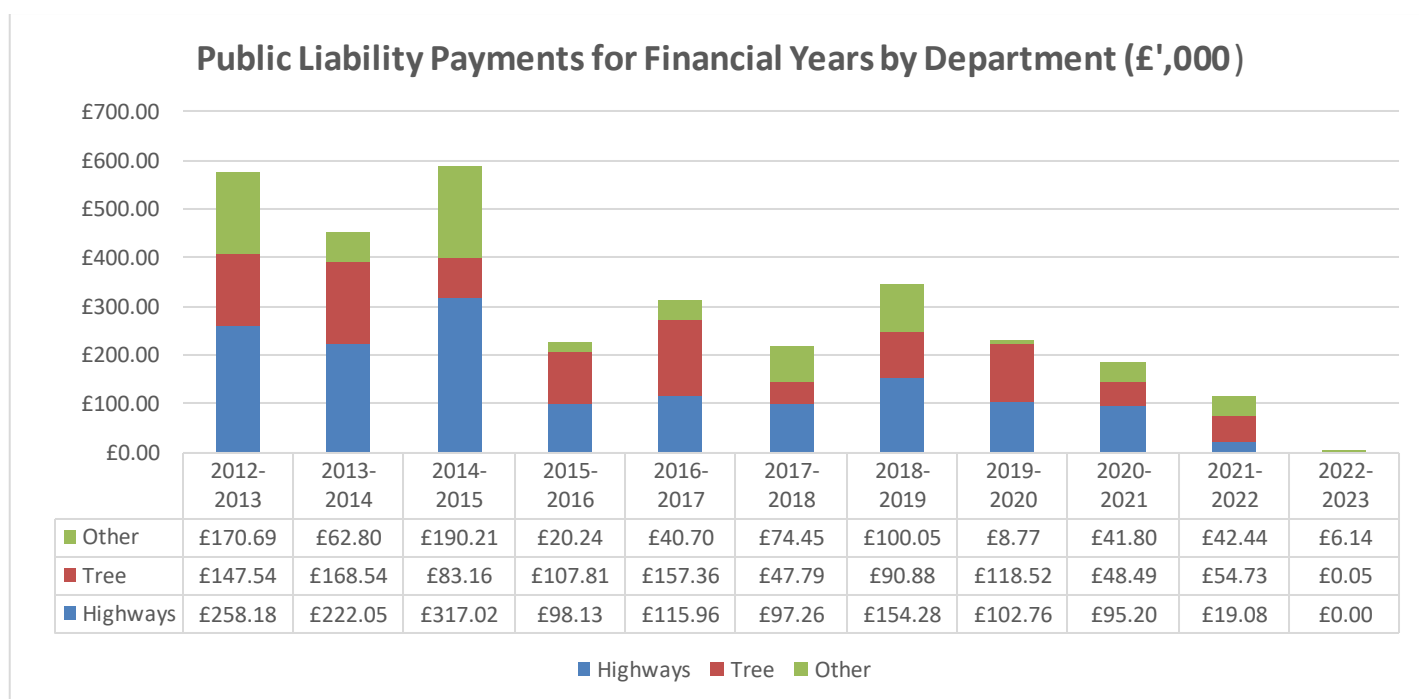


Table 3

Public Liability Claims received by Department for Financial Year 2021-22

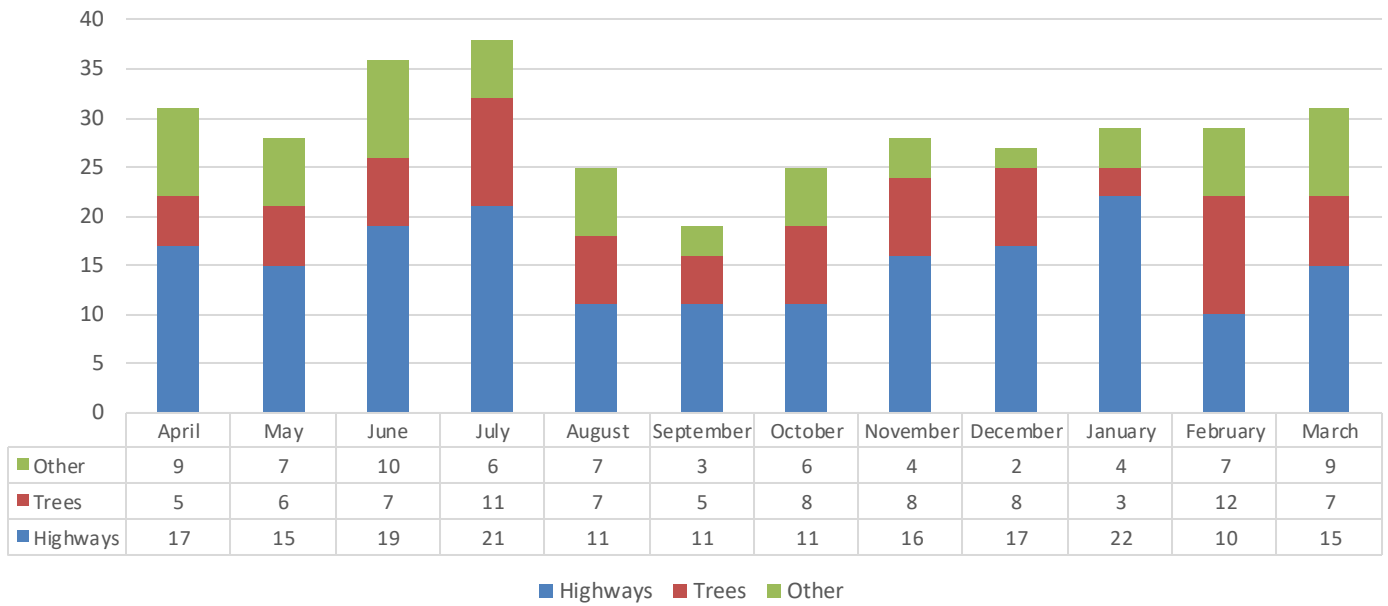


Table 4

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

