

Report No.
FSD23066

London Borough of Bromley

PART ONE - PUBLIC

Decision Maker: RESOURCES, COMMISSIONING & CONTRACTS
MANAGEMENT PORTFOLIO HOLDER

Date: For pre-decision scrutiny by the Executive, Resources & Contracts PDS
Committee on Monday 27th November 2023

Decision Type: Non-Urgent Executive Non-Key

Title: INSURANCE FUND - ANNUAL REPORT 2022/2023

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 2023 and presents statistics relating to insurance claims for the last two years. In 2022/23, the total Fund value increased from £4.002m to £4.159m. 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 2024 will increase to approximately £4.298m. 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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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: £4.159m (Fund balance as at 31/03/2023)
 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:
-

Procurement

1. Summary of Procurement Implications: N/A
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Property

1. Summary of Property Implications: The Council have property and terrorism insurance policies for all properties the Council are responsible for insuring.
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Carbon Reduction and Social Value

1. Summary of Carbon Reduction/Sustainability Implications: N/A
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Impact on the Local Economy

1. Summary of Local Economy Implications: N/A
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Impact on Health and Wellbeing

1. Summary of Health and Wellbeing Implications: N/A
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Approx. 500 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 between 2020/21 and 2021/22 was a decrease from £4.4m to £4.0m. However, as illustrated in the table in paragraph 6.1, the Fund has increased during 2022/23. The balance (to cover new claims notified after 31st March 2023) stood at £4.159m as at 31st March 2023.
- 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 2023, the provision stood at £2.997m.
- 3.1.5 In the Insurance Fund Annual Report for 2021/22, reported to Members on the 23rd November 2022, it was estimated that the Fund balance would remain stable at around £4m for 2022/23. Despite an increase of £115k on actual claim payments, the total fund value increased as highlighted in Paragraph 3.1.3. This was due to a significant increase of £215k in interest and also a decrease of £439k in the estimated value of unsettled claims provision compared to 2021/22. As a result of both issues, the remaining balance at year end was £4.159m. As at 31st March 2023, there were 503 open claims.
- 3.1.6 The position of the Fund has been reviewed as of 9th November 2023. Based on the estimated value of claims received to that date, it is anticipated that the Fund balance will increase to approximately £4.3m at the end of 2023/24. As of 30th October 2023 there were 417 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.
- 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 arrangement 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.
- 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 insurance policies which commenced on 1st May 2019. The long-term agreement ends on 30th April 2024 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 Council completed a request for quotations exercise in August 2023 for the insurance brokerage contract. The contract was subsequently awarded to Marsh Ltd from 1st September 2023 until 31st August 2027. This insurance broker contract award was made in preparation for the long-term agreement with the above insurance providers ending on 30th April 2024. There is an option within the contracts to extend the policies with the current insurance providers from 1st May 2024 until 30th April 2027 and commissioning options are currently being evaluated.

3.3.3 The Insurance & Risk Manager has quarterly meetings with the Council's insurance broker and both casualty and property insurers. During 2022/23, liability insurers raised concerns regarding the Council's claims experience. This is mainly due to 4 open liability claims each reserved at over £100k. This position will continue to be monitored but is important to note that all 4 current claims have different incident circumstances.

3.3.4 Property insurers undertook a site visit of Churchill Court in preparation of arranging adequate insurance for the building, which is now in place. As a result of increased building costs, property insurers are taking a more stringent approach on declared property values being up to date and accurate. This is in order to avoid underinsurance. The insurance policy condition is that all insured buildings must have a reinstatement valuation undertaken by a qualified RICS (Royal Institution of Chartered Surveyors) member within the last 5 years. The Council's property department are currently considering options for arranging a system of undertaking reinstatement valuations every 5 years commencing from the start of 2024/25. This will be funded from the Insurance Fund.

3.4 Reviews of the Insurance Service

3.4.1 The total payments and stop losses of casualty claims going back to 2013 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	2013/14	01/05/2013	1,275	508	5	514	761
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	519	19	538	1,427
Zurich Municipal	2015/16	01/05/2015	1,965	231	0	231	1,734
Zurich Municipal	2016/17	01/05/2016	1,965	394	182	577	1,388
Zurich Municipal	2017/18	01/05/2017	2,500	243	152	395	2,105
Zurich Municipal	2018/19	01/05/2018	2,500	471	126	597	1,903
Maven	2019/20	01/05/2019	1,750	276	140	416	1,334
Maven	2020/21	01/05/2020	1,850	560	86	646	1,204
Maven	2021/22	01/05/2021	2,035	465	593	1,058	977
Maven	2022/23	01/05/2022	2,150	89	645	734	1,416

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 the

final column 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 2022/23 are outlined in the table below:

	2022/2023		
Policy	Excess (£'000)		Aggregate Stop Loss (£'000)
Property			
General	125	}	
Education	250		750
Storm/Flood	125		
Casualty	125		2,150
Motor	50		250

From the table in 3.4.1, the highest total claims payment of casualty claims in the last 10 years is £560k in 2020/21 which is well below the current stop loss of £2.15m. The historical total claim amounts of the last 10 policy years would indicate that the current stop loss of £2.15m 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 2021/22, 2022/23 and 2023/24 to date are detailed in the following table. These show claims in these financial years as at 30th October 2023 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.

	2021/22		2022/23		2023/24 To date		Total Outstanding	
	No	Paid	No	Paid	No	Paid	No	Outstanding
Policies subject to excess / stop loss								
Property Damage All Risk	5	£874.13	12	£42,584.40	2	£0.00	10	£23,846.20
Public Liability	292	£475,756.56	440	£82,404.76	246	£31,856.87	304	£1,527,557.62
Employers Liability	0	£0.00	0	£0.00	0	£0.00	0	£0.00
Officials Indemnity	4	£4,470.00	0	£0.00	1	£0.00	2	£275,500.00
Total	301	£481,100.69	452	£124,989.16	249	£31,856.87	316	£1,826,903.82
Vehicle Policies								
Leased Car Fleet	35	£42,037.12	49	£61,849.19	27	£70,583.80	40	£70,830.39
Motor Fleet	3	£22,202.04	0	£0.00	1	£0.00	1	£0.00
Total	38	£64,239.16	49	£61,849.19	28	£70,583.80	41	£70,830.39

- 3.5.2 Compared with the figures in last year's annual report, the total amount of outstanding claims has significantly increased by 123 claims. This has resulted in an increase in the total amount outstanding of around £100k compared to last year's report. The reason for this increase in claim numbers is due to a high number of public liability claims in 2022/23 and also the year to date for 2023/24. The total amount outstanding can be attributed to these increased claim numbers and also the 4 current open liability claims each reserved at over £100k.
- 3.5.3 The above figures reflect claims received up to 30th October 2023 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 £2.5m, 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
2013-2014	467	0.2%	3.1%	55.9%	40.8%
2014-2015	421	0.2%	4.3%	59.4%	36.1%
2015-2016	349	0.6%	2.3%	68.2%	28.9%
2016-2017	346	0.9%	3.7%	65.9%	29.5%
2017-2018	380	1.0%	2.4%	64.9%	31.7%
2018-2019	392	2.6%	3.3%	59.2%	34.9%
2019-2020	366	1.0%	10.1%	59.9%	29.0%
2020-2021	289	7.3%	9.7%	56.4%	26.6%
2021-2022	339	12.4%	13.6%	54.3%	19.7%
2022-2023	501	26.0%	8.4%	48.7%	16.9%
2023 to date	277	66.8%	7.6%	15.5%	10.1%

- 3.5.6 Tables 1 and 2 of Appendix 1 show the number and total cost of all claims by the financial year the incident occurred. From Table 1 of Appendix 1, the Council has received 501 claims for incidents that occurred in 2022/23. This is a 48% increase of claims compared to the previous year.
- 3.5.7 From Table 2 of Appendix 1, these 501 claims in 2022/23 have not yet resulted in an increase in payments compared to the previous year. Just over a quarter of these claims are still in progress which is the reason for the reserve amount. 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.
- 3.5.8 Of the claims that occurred in 2022/23, the vast majority (around 88%) relate to Public Liability claims. The public liability claims made against the Council are broken down into highways, trees and other claims shown in Table 1 of Appendix 2. From this table, it is evident that the increase in claim numbers for 2022/23 can be attributed to a large increase in highways claims. There were 345 highway claims for incidents that occurred in 2022/23 compared to 179 for 2021/22.
- 3.5.9 Despite this increase in the number of highways claims, Table 1 of Appendix 2 shows that there has not yet been an increase in highways claim payments. From review of the payments made on these increased highways claim numbers, this can be attributed to an increase in vehicle damage pothole claims as opposed to personal injury claims.
- 3.5.10 Table 3 of Appendix 2 breaks down the public liability claims received each month for the financial year of 2022/23. This provides an overview of when public liability claims are received by the Council, irrespective of when the incident occurred. When compared to the table from 2021/22 (Table 4 of Appendix 2), it is evident that there has been a significant increase in highways public liability claims received from November 2022 to March 2023. In particular, a peak of 83 highways claims received in January 2023. This again can be attributed to the vehicle damage pothole claims mentioned in paragraph 3.5.7.

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 2023/24 is also included in the table.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24 (est)
	£'000	£'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	4,159
Revenue contribution to Fund	800	800	800	800	800	800	800	800	1,300
Interest	73	81	75	78	89	88	95	308	329
Claims (actual)	-716	-545	-872	-553	-66	-515	-652	-767	-1,200
Change in provision for outstanding claims	54	-62	342	-57	-411	-386	-624	-185	-290
Fund balance c/f	3,099	3,373	3,717	3,984	4,396	4,383	4,002	4,159	4,298

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. PROCUREMENT IMPLICATIONS

N/A

10. PROPERTY IMPLICATIONS

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

11. CARBON REDUCTION/SOCIAL VALUE IMPLICATIONS

N/A

12. IMPACT ON THE LOCAL ECONOMY

N/A

13. IMPACT ON HEALTH AND WELLBEING

N/A

14. CUSTOMER IMPACT

14.1 The Council receive approximately 500 claims each year across all insurance covers. Insurance claims are handled by staff from the London Borough of Sutton under a shared services arrangement.

15. WARD COUNCILLOR VIEWS

N/A

Non-Applicable Headings:	<p>4. IMPACT ON VULNERABLE ADULTS AND CHILDREN 9. PROCUREMENT IMPLICATIONS 11. CARBON REDUCTION/SOCIAL VALUE IMPLICATIONS 12. IMPACT ON THE LOCAL ECONOMY 13. IMPACT ON HEALTH AND WELLBEING 15. WARD COUNCILLOR VIEWS</p>
Background Documents: (Access via Contact Officer)	<p>- Insurance Fund – Annual Report 2021/22, Executive and Resources PDS Committee, 23rd November 2022</p> <p>- Gateway 0/1: Procurement Strategy for Integrated Insurance Agreement, Executive and Resources PDS Committee, 9th October 2019</p> <p>- Contract Award: Insurance Policies, Executive 27th March 2019</p>

Table 1

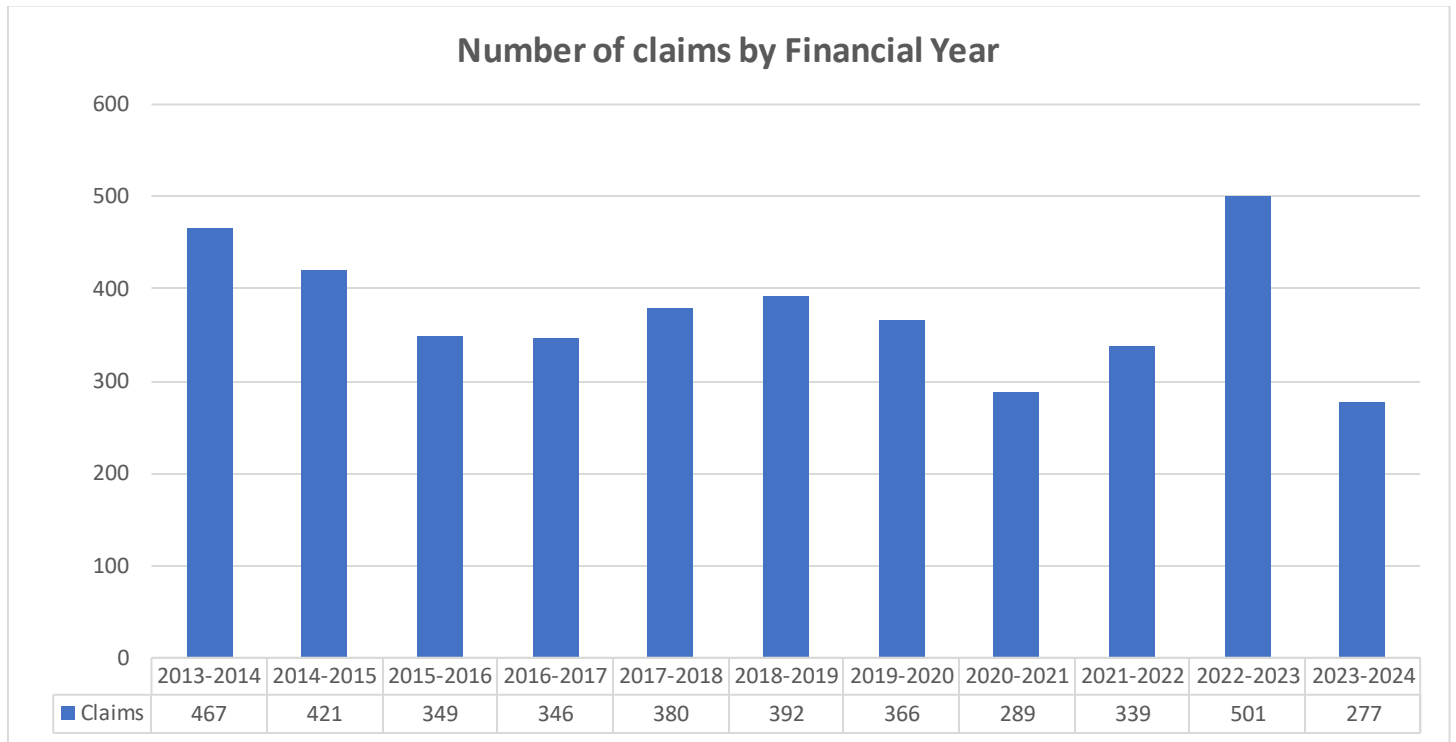
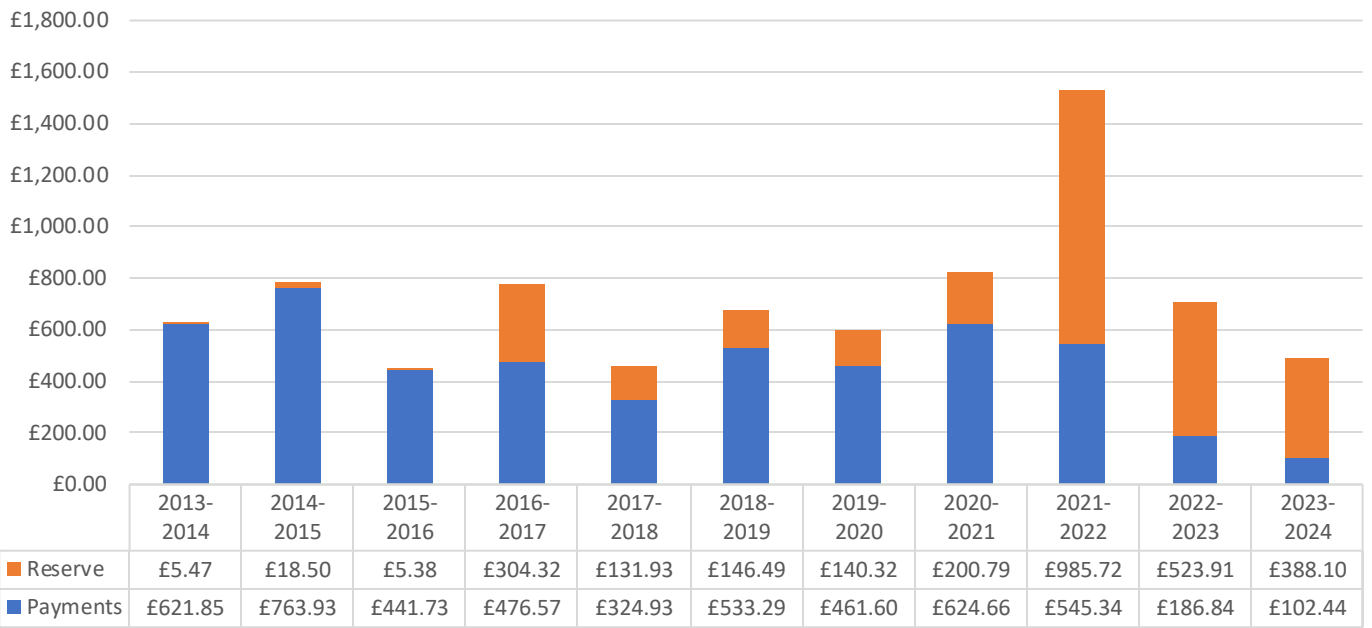


Table 2

Total Cost of Insurance Claims by Financial Year (£'000)

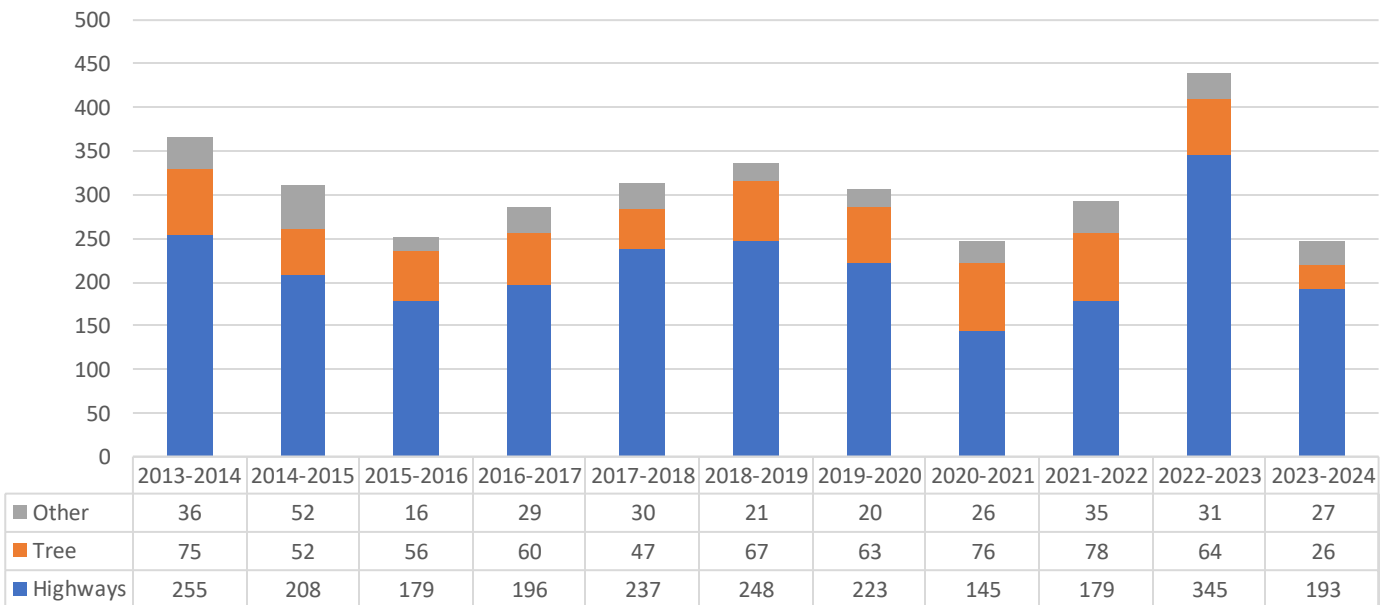


■ Payments ■ Reserve

APPENDIX 2

Table 1

Public Liability Claims for Financial Years by Department



■ Highways ■ Tree ■ Other

Table 2

Public Liability Payments for Financial Years by department (£',000)

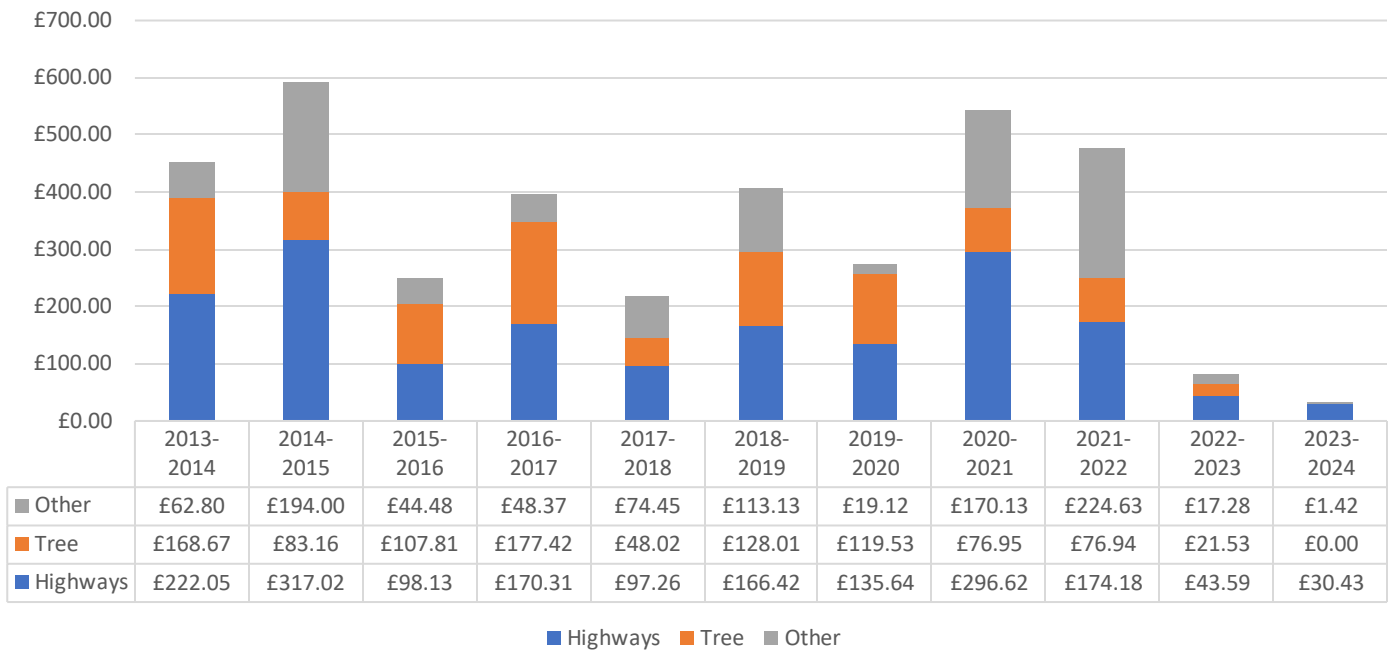


Table 3

Public liability Claims received by department for Financial Year 2022-23

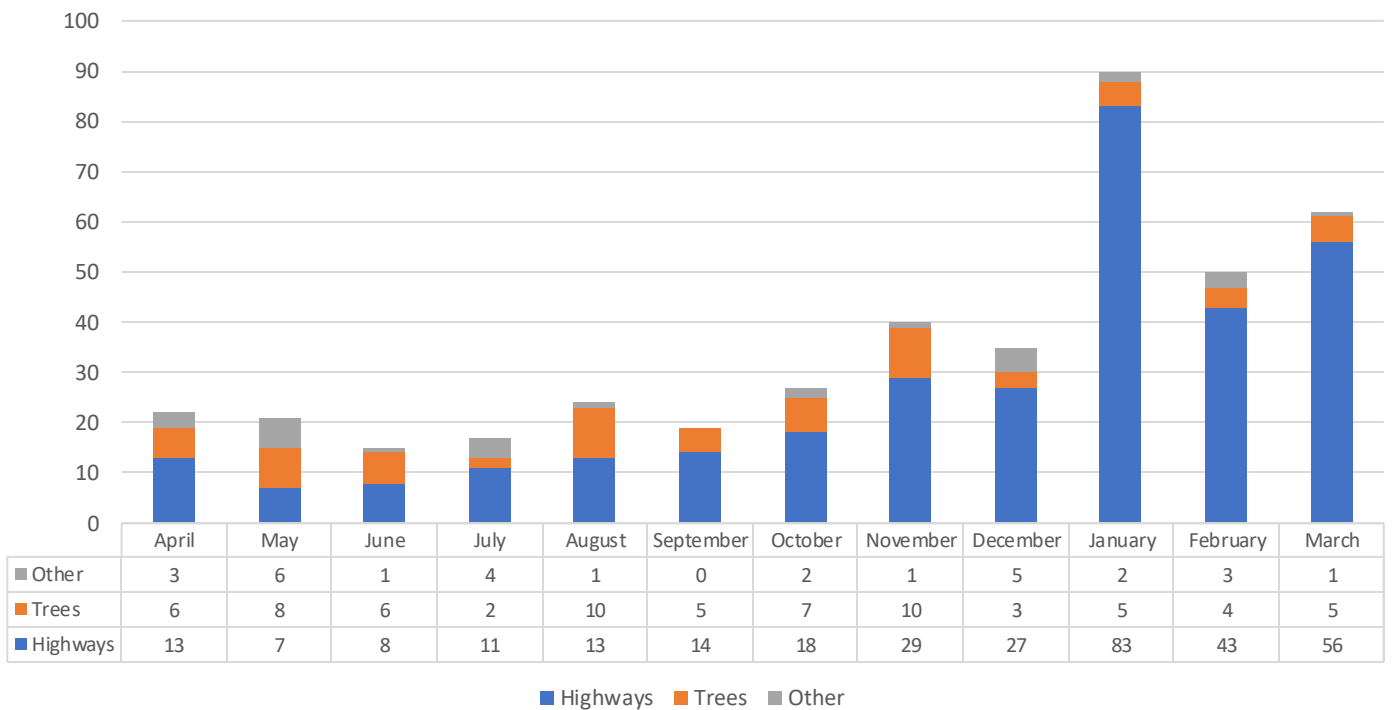
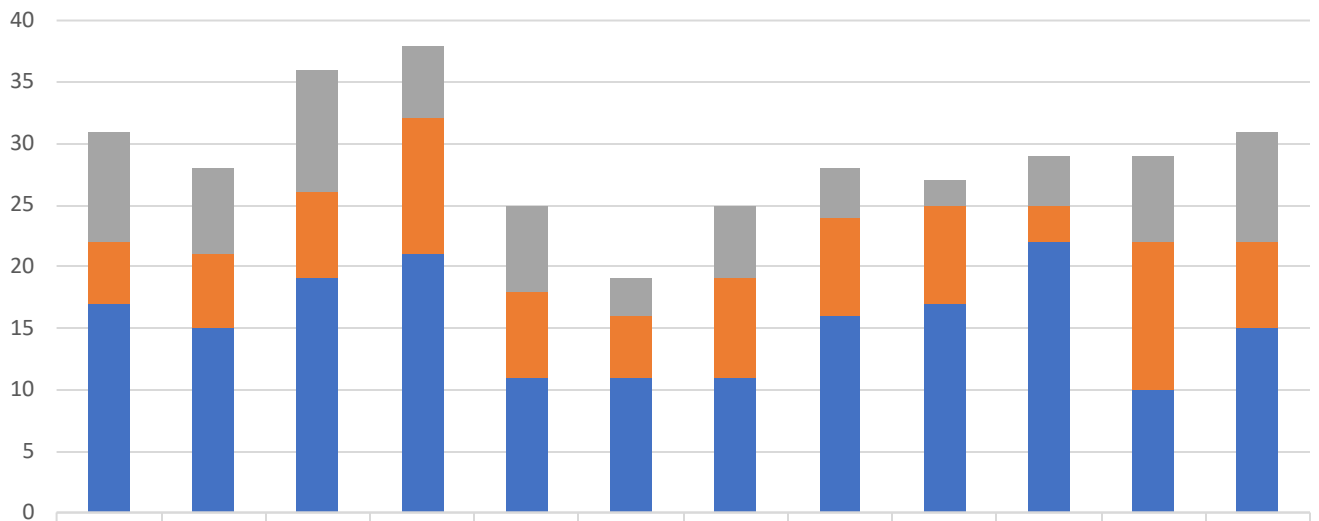


Table 4

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



	April	May	June	July	August	September	October	November	December	January	February	March
Other	9	7	10	6	7	3	6	4	2	4	7	9
Trees	5	6	7	11	7	5	8	8	8	3	12	7
Highways	17	15	19	21	11	11	11	16	17	22	10	15

■ Highways ■ Trees ■ Other

