

Review of Insurance Function

Introduction

This review will cover:

- The Insurance Market for Local Authorities
- The Insurance Section
- Functions of the Insurance section
- Cost of the Insurance Section
- Providers of Insurance services and related services to Slough Borough Council
- Dealing with Excesses

The Insurance Market for Local Authorities

For many years, the market for public sector insurance was dominated by three underwriting concerns: the insurers Zurich Municipal and Travelers, and RMP, whose underwriting capacity is currently provided by a combination of QBE, AIG, HSB and Ecclesiastical.

Capacity was, however, reduced when in 2014, Travelers took the decision to divest themselves of all public liability business for local authorities with a highways or social services responsibility. Although Travelers continued to pursue opportunities in selected areas, it was feared that this loss of capacity would have a damaging effect on future premium levels for the sector as a whole.

As it transpired, it seems that those fears were largely unfounded as the emergence of new providers such as Maven, Swiss Re and Protector, has acted as a counterweight, more than compensating for the effects of the decision by Travelers.

Meanwhile, Ocaso and Aspen continue to maintain their interest in local authority leasehold portfolios, although we have seen Ocaso take some corrective measures on their rating for some authorities with an adverse claims experience.

The Insurance Section

The Insurance Section consists of one permanent member of staff, The Senior Risk & Insurance Officer. The Senior Risk & Insurance Officer is not only responsible for insurance matters within the Council but also;

- Facilitating and organising the Corporate Risk Management Group
- Updating the Risk Management Strategy
- Arranging and organising risk Management Training
- Monitoring and reporting on the Implementation of Internal Audit recommendations
- Arranging the finalisation of draft Internal Audit Reports

- Preparing the quarterly report for the Audit and Corporate Governance Report

The Senior Risk and Insurance Officer is graded at Grade 7 (£36k p.a.)

Functions of the Insurance Section

The Functions of the Insurance section can be broadly be broken down into five areas

- Procurement
- Renewal
- Claims
- Service Level Agreements
- Advice/Administration

Procurement

The Insurance Portfolio is procured in various lots this is because some insurers prefer to insure some “lines” (type of insurance) rather than others.

The Lots are described below

- Casualty Insurance (Public liability, Employers Liability, Official Indemnity, Libel and Slander, Uninsured Loss Recovery)
- Motor
- Property (Buildings insurance, Money, All Risks, Contract works)
- Property (Commercial Leasehold properties – Shops etc The premium for this is recharged to the Leaseholder)
- Property (Residential Leasehold – the premium for this is recharged to the Leaseholder)
- Engineering Inspection
- Casualty Claims Handling
- Fidelity Guarantee – (Theft by employee)
- Personal Accident/School Journeys

In order to take advantage of Long Term Agreement (LTA'S) discounts on premiums the normal length of the insurance contracts is 3 years with a 2 year extension available.

The cost of these contracts means that the insurance procurement is subject to European Procurement regulations.

The Insurance Section is assisted in the in the production and marketing of tender documents by the Council's appointed insurance brokers.

The insurance brokers also assist in evaluating the tenders and produce a report of their evaluations.

Renewal

Despite being tender every three to five years certain parts of the portfolio need to be renewed annually

- Property insurances – every year it needs to be decided what inflation rate needs to be applied to the sums insured of the various properties
- Casualty insurance – Each year we need to advise our insurers of any (proposed), changes in risk. For example outsourcing or insourcing
- We need to make positive statements to insurers that we actively manage risks such as
 - Legionella
 - Asbestos
 - Child Sexual Exploitation

Claims

- Casualty Insurance

The Insurance Sections deals with all claims for compensation made against the Council.

These range from small value pot hole claims causing damage to vehicles, to slips trips falls on the highways or Housing Land up to claims for psychological and personal injury for abuse suffered while in care.

Casualty claims are handled and settled by our appointed claims handlers.

In some cases it is necessary to appoint solicitors to act on behalf of the Council

Members of the public are able to make property damage claims via an on-line claims form <https://www.slough.gov.uk/council/complaints-and-feedback/insurance-claim-form.aspx>

Once a claim is made the Insurance Section contact the relevant Section within the Council to obtain information and reports to help decide upon whether or not legal liability attaches to the Council

- Property Claims

Property Damage claims with estimated values of up to £20,000 are dealt exclusively by the Insurance Section.

Claims that exceed £20,000 are referred to Loss adjusters who act on the insurers behalf

A data-base is maintained of all claims this not only keeps a record of all claims, the causes, the costs etc., but also allows The Insurance Section to respond to the various Freedom of Information requests regarding insurance claims.

Service Level Agreements

- Schools

Some schools chose the Insurance section to arrange their insurances on their behalf.

- Children's Trust

As the Children's Trust was unable to purchase its own Casualty insurances it became necessary for the Trust to be included in the Council's insurance.

Advice/Administration

There are a number of queries regarding insurance that come through to the Insurance Section.

- Advising on levels of indemnity for contracts.
- What is covered under the Residential Leasehold policy
- Insurance requirements for various large projects
- Annual recharges
- Payment of premium invoices
- Production of insurance Schedules to residential leaseholders
- Advising brokers or new additions to the residential leaseholders policy

Cost of the Insurance Section

The table below shows the costs of the Insurance Section in 2016/17

Staffing Costs

Salary (Inc. on cost)	£46,500
Office Expenses Inc.	£7,000
Software licences	
	£53,500

Property Based Premiums

Buildings - General	£23,465
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Buildings - Housing	£83,195	
Buildings - Schools	£31,116	
Properties added during the year	£7,761	
Schools Contents	£23,405	
Business Interruption	£13,175	
Engineering	£24,869	
Contractors All Risk	£9,591	
All Risks/Money	£3,977	
		£220,554
Commercial Leasehold		£59,291
Residential Leasehold		£176,568
		£456,413
Liability Based Premiums		
Liability Premiums	£181,496	
Motor	£30,268	
Claims Handling Cost	£22,085	
		£233,849
Paid from Provision 2016/17		
Property Claims	£4,051	
Public Liability	£169,090	
Employers Liability	£14,838	
Motor	£6,993	
		£194,972
MMI Scheme of Arrangement		£96,000

£1,034,734

Providers of Insurance Services and related services to Slough Borough Council

Below is a list of the providers of services in relation to the insurance function:

Provider	Description	
Travelers	Property and Crime Cover Insurer	
QBE	Casualty insurer	
Zurich Municipal	Personal Accident Insurer	
Allianz	Engineering Inspection	Carry out statutory inspection of boilers, plant and lifts
Jardine Lloyd Thompson	Insurance Broker and Insurance Adviser	<p>We meet with Jardine Lloyd Thompson on a regular basis.</p> <p>They act as advocates for SBC in meetings with insurers and claims handlers</p> <p>Provide technical insurance advice in respect of new projects</p> <p>Place ad hoc insurance requirements</p>
Gallagher Bassett	Casualty Claims Handlers	<p>Handle Casualty claims.</p> <p>Pay claimants, solicitors, CRU and other required fees</p> <p>Maintain an imprest account</p>

Dealing with Excesses

Local Authorities are exempt from the various Compulsory Insurance Acts which means that we do not have to insure for Motor Insurance or Employers Liability, however it has been decided prudent to do so.

An advantage of being exempt from these acts is that the council has the ability to take an excess on each an every claim, and by taking an excess we are able to reduce the premium.

The table below sets out the current excesses

Type of Insurance	Excess each and every claim	Stop Loss
Casualty	£60,000	£1,050,000
Property	£50,000	£500,000

The effect of these large excesses is that the council virtually self-insures. To meet the excesses the council has set up an Insurance provision and from that pays property damage claims and reimburses the various imprest accounts that are held by our claims handlers

To protect the council against a very bad claims year the council purchases a “Stop Loss” For example if the total amount of excesses in relation to Casualty Claims in a policy year exceeded £1,050,000 then the excess for that policy year would be deleted.