

**Report to the Finance and
Performance Management Cabinet
Committee**



**Epping Forest
District Council**

Report reference: FPM-017-2011/12

**Date of meeting: 21 November
2011**

Portfolio: Finance and Performance Management

Subject: Insurance Performance Monitoring

Responsible Officer: Edward Higgins (01992 564606)

Democratic Services Officer: Gary Woodhall (01992 564470).

Recommendations/Decisions Required:

- 1. To note the insurance trends and statistics: and**
- 2. To note the savings achieved from the increase in the public liability excess during the 2005/06 – 2010/11 insurance period; and**
- 3. To note that Epping Forest District Council continued to handle insurance claims and underwriting queries for Uttlesford District Council.**

Executive Summary:

This report provides a number of statistics illustrating claims trends and costs. The report also contains an updated position in the continued monitoring of the 2005/06 – 2010/11 insurance period, where an increase in excess for public liability claims made significant savings in premium.

Reasons for Proposed Decision:

The Committee's Terms of Reference include: "To advise and make recommendations to the Cabinet on risk management and insurance issues."

This report is intended to update Members and to confirm the level of risk Members wish to take on insurance excesses going forward.

Other Options for Action:

None.

Report:

- 1. An internal audit report recommended that yearly reports should go to members to review the trends in claims and to review whether the decision taken by the Council to increase the public liability excess in exchange for a reduction in premiums resulted in savings to the Council.**

Claim Trends

2. Claims trends are monitored regularly by the Senior Finance Officer and reported to the Director of Finance & ICT on a quarterly basis. The insurance year is from 30th June to 29th June the following year. A summary of the claims trend can be seen below.

Policy	Ins. Year 2006/07		Ins. Year 2007/08		Ins. Year 2008/09		Ins. Year 2009/10		Ins. Year 2010/11	
	Open	Closed	Open	Closed	Open	Closed	Open	Closed	Open	Closed
Motor	0	47	0	49	0	42	0	43	9	37
Property	1	42	1	52	0	25	2	17	20	15
Casualty	1	39	2	40	6	38	13	17	21	15
Total	2	128	3	141	6	105	15	77	50	67

3. The majority of motor claims only relate to damage to our own vehicle and therefore most claims are settled within two to three months. Property claims can be anything from an escape of water where redecoration is required, to a fire at the property resulting in major works being undertaken to re-instate the property. The claims can take anything from three / four months up to two to three years to settle.

4. Casualty claims consists of Public and Employers Liability, Fidelity Guarantee, and Official Indemnity claims. These claims will normally take anywhere from seven / eight months to two / three years. On average over 50% of all public liability claims will be successfully repudiated. A table below shows the split of closed casualty claims between paid out and repudiated (repud.).

	Insurance Year 2006/07		Insurance Year 2007/08		Insurance Year 2008/09		Insurance Year 2009/10		Insurance Year 2010/11	
	Paid	Repud.	Paid	Repud.	Paid	Repud.	Paid	Repud.	Paid	Repud.
Casualty Claims	11	28	12	28	15	23	3	14	4	11

5. It is also important to keep a review of the ratio between how much the Council pays out in premiums to our insurer, against the amount the insurer pays out in claims. The table below shows the premium to cost ratio for the different policies.

Policy		2006-07	2007-08	2008-09	2009-10	2010-11
Motor	Premium	77,952	83,954	85,172	90,037	70,575
	Costs paid	58,986	52,297	72,047	61,149	33,093
	Ratio	75.68%	62.29%	84.59%	67.92%	46.89%
Property	Premium	300,612	317,056	340,253	357,332	312,626
	Costs paid	194,511	201,193	265,230	36,577	233,727
	Ratio	64.71%	63.46%	77.95%	10.24%	74.76%
Casualty	Premium	164,429	170,022	173,111	176,423	212,302
	Costs paid	120,525	129,191	67,738	81,735	214,483
	Ratio	73.30%	75.98%	39.13%	46.33%	101.03%

6. Although the Council is in a long term agreement with our insurers, within this agreement they are entitled to increase the rate they charge each year for the motor policy. The property premium increase is generated by the inflationary increase in re-building costs. On average the sums insured goes up by 2 to 5% each year. The casualty premiums are linked to the Council's salary costs. The increase in Casualty premium in 2010/11 marks the new terms of the current Long Term Agreement.

7. The costs paid include reserve figures for claims that are yet to be settled, therefore, this can be seen as a worst-case scenario. The table highlights a reduction in property premiums in 2010/11; these savings are for leasehold and commercial properties which are both recharged to tenants, this results in no direct saving to the Council. There was also unusually low number of property claims in 2009/10.

8. The casualty ratio has fluctuated from year to year and is very hard to predict. The high Casualty costs for 2010/11 include a reserve of £170,000 for a Fidelity Guarantee claim relating to former bailiff activities, which are the subject of separate civil and criminal proceedings.

Insurance term 2005/06 – 2010/11 Public Liability

9. At Cabinet on 6 June 2005, it was agreed to enter into a five year agreement with Zurich Municipal for our insurance cover and that the excess level on the Public Liability policy be increased from £500 to £5,000 in order to make a saving on our insurance premiums of £69,030 per year.

10. The saving was achieved as the Council was increasing its share of the risk and thereby reducing the insurers risk, in that we would be paying the first £5,000 of any claim before the insurers would incur any costs. If the Council decides at any future date that it wishes to either reduce or increase any excesses, then the premium would increase or decrease to take account of the risk being incurred by the Council.

11. Following the introduction of the increase in the public liability excess, management has constantly kept the impact under review. The table below shows that currently the Council has made a saving year on year. However, it should be noted that claims for a previous year can still be made in the future years, which would have an impact on these savings.

	2005-06	2006-07	2007-08	2008-09	2009-10
Excess paid / potentially to be paid	10,270	42,179	39,275	43,288	60,135
Excess paid if still on old value	5,770	4,267	6,849	5,509	8,607
Increase in excess	4,500	37,912	32,427	37,778	51,528
Savings in premiums	-69,030	-£69,030	-£69,030	-69,030	-69,030
Net savings per year	-64,530	-31,118	-36,603	-31,252	-17,502
Accumulated Savings	-64,530	-95,648	-132,251	-163,503	-181,005

The table shows that the Council has made a saving of £181,005.

Insurances – 2011/12 onwards

12. The Council is currently within a three year long term agreement with Zurich Municipal (ZM) which started on 30 June 2010. There is an option to extend the agreement for a further two years at the end of the initial period, it is suggested that negotiations regarding the extension begin with ZM in January 2012.

Uttlesford District Council

13. The Council has performed an insurance claim handling service for Uttlesford District Council since January 2010. From April 2011 this service was extended to also provide answers to underwriting queries. Both Zurich Municipal and Uttlesford District Council confirm that the service is carried out to a satisfactory level and UDC pay for the service.

Resource Implications:

The Council achieved a net saving of £181,005 over the five year long term agreement. The decision to increase the excess on Public Liability claims from £500 to £5,000 has provided a significant saving to the Council.

Legal and Governance Implications:

None.

Safer, Cleaner and Greener Implications:

None.

Consultation Undertaken:

None.

Background Papers:

None.

Impact Assessments:

Risk Management

The Council has successfully managed its financial risk by reducing the overall cost of insurance. It is recommended that the level of excess, and hence the level of risk, is not changed at this time.

Equality and Diversity:

No equalities impacts.

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? N/A

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? N/A

What equality implications were identified through the Equality Impact Assessment process?

None

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?

N/A