

**ANGUS COUNCIL**

**POLICY AND RESOURCES COMMITTEE - 31 JANUARY 2017**

**REVIEW OF COUNCIL INSURANCES**

**REPORT BY THE SERVICE MANAGER GOVERNANCE AND CONSULTANCY AND HEAD OF CORPORATE IMPROVEMENT & FINANCE**

**ABSTRACT**

This report provides the outcomes of the recent review of Council Insurances and makes recommendations for change to save an estimated £358K per annum in overall costs.

**1. RECOMMENDATION(S)**

It is recommended that the Policy and Resources Committee:

- (i) note the outcomes of the review
- (ii) agree the recommendations in section 6
- (ii) note that the implementation of these recommendations involves the council taking more risk and notes the implications for services, all as outlined in sections X and X
- (iii) Authorises the Service Manager Governance and Consultancy to negotiate with the Zurich Municipal to implement the changes on the basis of a two year extension to the current contract (previously authorised in report 709/11 to Corporate Services committee on 20 October 2012).

**2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/COPORATE PLAN**

This report supports the council and services in the delivery of all local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016.

**3. BACKGROUND**

A review has recently been undertaken of the council's insurance profile to look for opportunities to reduce costs. The review involved modelling insurance premium costs, self insurance costs and internal costs against various excess options across all classes of council insurances (Property, Liabilities, Motor and General).

The outcome of the review highlighted some opportunities for savings of an estimated £358K per annum from 2017-18 onward. These opportunities involve taking greater excesses and therefore greater risk in terms of self insurance and also involve stopping insuring some of the more general covers.

This report summarises the review findings, recommendations and implications and a copy of the full report is included at Appendix 1.

**4. CURRENT POSITION**

The council currently hold their insurances with Zurich Municipal on a contract which ends on 31 March 2017 but has provision for extension within that contract for 2 years. Within this

contract the council are entitled to both local authority and package discounts. In general the excesses taken by the council on their insurances are low in comparison with many authorities.

The council operates an insurance account and insurance fund. The insurance fund is ring fenced under legislation. The insurance account collects insurance costs from services and pays for premiums, IPT (insurance premium tax), self-insured costs and management fees. Any balance on the fund at the end of each year is transferred to the insurance fund.

The insurance budget (made up of the elements above) for 2016-17 was just over £2m and the balance on the insurance fund at 31 March 2017 is projected to be around £1.2m assuming there are no major issues this winter.

## 5. REVIEW FINDINGS

Full details of the findings of the review are shown in the report attached at Appendix 1. In summary:-

- a) Moving to larger excesses for liability insurances (employers liability and public liability) is not financially viable at this point in time. The total costs to the council based on the 10 year average calculations would increase if a larger self-insured element was to be taken
- b) There is some opportunity to take larger excesses on property insurances, particularly in relation to housing and general properties but not education properties
- c) There is opportunity to take higher excesses on motor insurance and generate savings
- d) In terms of miscellaneous insurances, the options are purely to insure or not to insure as there are no excesses on these classes. There is generally little in the way of claims history in relation to these insurances with the exception of Foster Carers insurance within the All Risks category. These various covers have been reviewed and whilst several are deemed essential to continue a number of specific low risk covers are recommended to be discontinued.

It is important to emphasise here that implementation of the recommended changes arising from the review doesn't preclude these being reviewed again. The Council can reappraise its appetite to risk on an annual basis and vary the level of cover in renewing its premiums each year.

## 6. REVIEW RECOMMENDATIONS

The review recommends that a number of savings opportunities be taken from both increasing excesses in some classes and ceasing to insure some elements within the miscellaneous covers category. The recommendations are:-

<b>Liability</b>	<b>Old Excess</b>	<b>New Excess</b>	<b>Misc covers to be renewed:</b>
Employers Liability	nil	nil	All Risks (incl Works of Art)
Public Liability	£250	£250	Officials Indemnity
			Fidelity Guarantee ( limits being reviewed)
			Professional Negligence
<b>Property</b>	<b>Old Excess</b>	<b>New Excess</b>	<b>Misc covers not to be renewed:</b>
Education properties	£25,000	£25,000	Money
General properties	£5,000	£500,000	Libel & Slander
Housing Properties	£5,000	£100,000	Personal Accident
<b>Motor</b>	<b>Old Excess</b>	<b>New Excess</b>	
Own damage	£500	£25,000	Public Health Act
Third party damage	nil	£25,000	Computer

The savings assumed from the review are subject to confirmation through discussion with Zurich Municipal and assumed savings which relates to self-insurance is very much a best estimate and will depend on actual claims experience during the year. Using the review recommendations as a base and taking a slightly more optimistic view on self insured savings will allow a total budget of £1.7m to be set for 2017-18, a saving of £358K on that of 2016-17.

## **7. REVIEW AND FINANCIAL IMPLICATIONS**

Whilst generating budget reductions of an estimated £358k, adoption of the recommendations above will have a number of implications as follows:-

- a) General properties excess will be increased from £5K to £500K and Housing property from £5K to £100K. This is a very substantial increase in both risk appetite and self insurance for the council. This means that the council insurance fund (and therefore by extension service budgets) will pay the first £500k of every claim for General properties and the first £100K for Housing. There will, however, be a stop loss applied by the insurer, which will cap the councils overall liability for property insurances; this is under discussion with Zurich Municipal.
- b) In terms of motor insurances, again there is a substantial increase in risk appetite and self insurance with the first £25K of each claim for own damage and third party damage payable by the council.
- c) It should be understood that where a decision has been made to cease insuring, this also means that area is not covered by the insurance fund and any loss will need to be covered by the service in which the claim arises
- d) All of the changes above will put the onus on services to implement and maintain strong operational risk management.

## **8. EQUALITIES IMPLICATIONS**

The issues contained within this report fall within an approved category that has been confirmed as exempt from an equalities perspective.

## **9. CONSULTATION**

The Council Management Team has been consulted.

**NOTE:** No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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