



Agenda Item 09

**JOINT AUDIT COMMITTEE**  
**29 September 2021**

**INSURANCE ARRANGEMENTS**

Report of the PCC and Chief Constable and respective CFO's

**1. PURPOSE OF THE REPORT**

To provide assurance to the Audit Committee that Insurance arrangements are robust and appropriate, and to give details of recent claims experience.

**2. BACKGROUND**

The force insurance programme can be considered in two halves:

**Combined Liability Insurances & Property and Asset Insurance**

All force insurance policies have a common renewal date of 1 November.

**3. EMPLOYERS LIABILITY, PUBLIC LIABILITY AND MOTOR INSURANCE**

In recent years, the Insurance market has taken a particularly risk averse approach to providing liability insurance cover to the public sector, with an even greater reluctance to provide cover for the police sector.

A particular area of challenge relates to the motor insurance market, with catastrophic injury claims caused following blue light collisions becoming a more common occurrence. There have been a series of catastrophic motor claims involving blue light vehicles with individual claim values in excess of £15m each affecting other forces.

The situation around catastrophic personal injury claims is also of concern, with developments in medical treatment resulting in care claims for injured claimants escalating significantly. Here in West Midlands, we had a single EL claim settle in excess of £3m – the premium paid for that year was £255k. This demonstrates the value of having a policy in place to pick up high value claim settlements.

In recognition of the challenges faced in securing insurance cover for personal injury, a strategy of reducing insurance premiums by increasing the policy excess applied has been adopted. Currently, a policy excess of £500,000 applies to all liability claims. In effect, this means we are self-insured save for large losses which exceed the policy excess. In addition, an aggregate stop loss is applied to the policies so as to cap the total costs of claims within any one policy year.

The catastrophe cover is procured, following a competitive tendering arrangement. The last tender took place in 2019 and policies were awarded to the existing insurer QBE. The contract term being agreed on the basis of a 5 year arrangement on the basis that rates remain static.

### **Premiums charged:**

Casualty Policies: EL/PL/OI/PI **£487,287.36** (increase + 12%)

(We successfully negotiated a write off of additional premium of £49,464 for uplift in staff numbers on EL policy for year 19/20)

Motor Insurance: **£437,821.44** (increase + 60%)

**TOTAL PREMIUM £925,108.80**

#### **4. PROPERTY & ASSETS**

Cover is arranged in collaboration with five other Midland Forces. The policy was subject to a competitive tender exercise in 2018. The cover is placed with the same insurers as the casualty programme – QBE.

The principal property insurance policy was renewed at a premium of **£81,079.16**.

This premium shows an increase to last year to reflect the increase in sums insured following the completion of projects including Nexus and C3.

**TOTAL PREMIUM £81,079.16**

#### **5. MISCELLANEOUS POLICIES**

Additional miscellaneous policies, include property cover for the peril of terrorism, computers, aviation liability (drones) and engineering results in premiums totaling **£155,380.76**.

Insurance cover for these risks has generally been renewed on existing terms, but with appropriate premium increases to allow for an uplift in the sums insured.

**TOTAL PREMIUM £155,380.76**

#### **6. INSURANCE CLAIMS HANDLING**

The handling of civil claims presented against the force is combined between external claims handlers and in-house handling within Legal Services. The external claims providers are aligned with force insurers and their charging based on the number of claims received. As 30 April 2021, charges amounted to £32,832 (so pro-rata for year = £65,664)

**TOTAL CHARGES £65,664.00**

#### **7. INSURANCE BROKING**

This contract has been extended through to 2022 in line with the framework. The annual charge being £5,945.

**TOTAL PREMIUM £5,945**

## **8. TOTAL INSURANCE PREMIUM OUTLAY 20/21 £1,233,177.72**

The final outlay for insurance premium, broking fees and claims handling costs amounted to **£1,233,177.72**(inc IPT & VAT).

## **9. INSURANCE FUND POSITION**

Liability Insurance claims up to the value of the excess are met from the Insurance Fund, to which annual contributions are made from the Revenue Budget. The fund also “earns interest” through investment of surplus funds.

The full extent of our exposure to claims within a given period of insurance can take several years to develop and the final settlement of those claims may take place many years after the accident occurred.

The current reserves held against notified liability (EL,PL,OI & Motor TP)

|                   |   |                    |
|-------------------|---|--------------------|
| EL                | = | £654,000           |
| PL                | = | £9,200,000         |
| Motor Third Party | = | £1,600,000         |
| <b>TOTAL</b>      |   | <b>£11,454,000</b> |

The current balance of the Insurance Fund stands at £8.8m. As such, whilst there is shortfall in the current reserve values, the reserves reflect a series of relatively new claims which have been received, and existing claims values escalated significantly, and as such these cases will be closely monitored with a view to adjusting reserves accordingly once a realistic view can be taken. It should be noted the current fund covers 77% of reserves held, with no provision for IBNR claims.

## **10. FINANCIAL IMPLICATIONS**

A provision is made in the Revenue Budget to meet the total annual costs of insurance premiums, claims handling and insurance broking charges. In addition, the costs and reserves for known claims along with a predicted amount for future claims (IBNR) is also provided for by way of an annual contribution to the Insurance Fund which is also charged against the Revenue Budget.

We continue to closely monitor all claim payments and reconcile expenditure and outstanding reserves against the balance on the Insurance Fund on a monthly basis. Details are included in the Financial Health Indicators which are reported to the Strategic Policing and Crime Board.

## **11. LEGAL IMPLICATIONS**

The Police and Crime Commissioner is required in accordance with Section 1 (6) of the Police Reform and Social Responsibility Act (the Act) to secure the maintenance of the police force and ensure the police force is efficient and effective. In accordance with Paragraph 14 Schedule 1 of the Act the Police and Crime Commissioner may do anything which is calculated to facilitate, or is conducive or incidental to the exercise of the functions of the commissioner.

## **12. EQUALITIES IMPLICATIONS**

All Insurance claims are managed and assessed in accordance with legal liability and policy cover, irrespective of the age, disability, race, religion, gender or sexual orientation of the claimants concerned.

### 13. RECOMMENDATIONS

The Committee is recommended to:

- a) Note the action taken in the renewal of Insurance cover with effect from 1<sup>st</sup> November 2020
- b) Note the current balance on the Insurance Fund, which is regularly reviewed, and consider a future transfer to this reserve to ensure that the insurance reserve has sufficient funds going forward to meet its liabilities.

| <b>CONTACT OFFICER</b>                 |
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| <br>                                   |
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| <b>BACKGROUND DOCUMENTS</b> |
|-----------------------------|
| None                        |