



Agenda Item 08

JOINT AUDIT COMMITTEE
30 June 2022

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. Across the motor insurance market generally, during the pandemic, a reduction in claims has been seen due to the lack of travel, particularly commuting. However, an increase in costs associated with the supply chain have been noted which have impacted on any positive savings associated with lower claims volumes.

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. In considering the element of cost of care as an example, we have seen significant spikes in care costs attributable to the reduction in number of carers due in part to restriction of free movement of employees due to Brexit in addition to increase in hourly wage costs.

There are concerns within the liability insurance market around potential emerging claims relating to the care home crisis, Covid 19 claims, Grenfell and the Manchester Arena bombing, all of which is serving to cause the market to be nervous and restrict capacity for large risks to be accommodated.

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.

This 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.

Premiums charged:

Casualty Policies:	£660,680.56
Employers Liability/Public Liability/Officials Indemnity/Professional Indemnity/Fidelity Guarantee/Medical Malpractice/Personal Accident & Travel. Liability policies arranged with a policy excess of £500,000	
Motor Insurance:	£530,330.08
Cover arranged with a policy excess of £500,000. Cost per vehicle £299 (last year £256)	

TOTAL PREMIUM	£1,191,011.20(including ipt)
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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 **£88,268.49**. There was an additional premium including in the above amount in the sum of £5600 to cover the Nexus Logistics Centre pending installation of fire suppression systems. In addition, currently, pending the installation of this safeguard, there is a policy excess clause of 20% of the specific location sum insured.

TOTAL PREMIUM	£88,268.49
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5. MISCELLANEOUS POLICIES

Additional miscellaneous policies, include property cover for the peril of terrorism, computers, aviation liability (drones) and engineering results in premiums totaling **£148,356.09**

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	£148,356.09
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6. INSURANCE CLAIMS HANDLING

The handling of civil claims presented against the force is combined between external claims handlers and in-house handling within Joint Legal Services. The external claims providers are aligned with force insurers and their charging based on the number of claims received. Based on average claim numbers the total cost of claims handling for claims made against the force is estimated at £98,749.20.

TOTAL CHARGES	£98,749.20
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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 21/22 £1,538,274.98

The final outlay for insurance premium, broking fees and claims handling costs amounted to **£1,538,274.98**(inc IPT & VAT). This represents a blended increase across the whole programme of 18%.

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

Employers Liability	=	£450,000
Public Liability	=	£9,700,000
Motor Third Party	=	£1,763,000
TOTAL		£11,913,000

The current balance of the Insurance Fund stands at £8.8m. As such, whilst there is shortfall in the current reserve values, cases will be closely monitored with a view to adjusting reserves accordingly to ensure the fund reflects a realistic reserve at all times. It should be noted the current fund covers 73% of reserves held, with no provision for IBNR(incurred but not reported claims). Further, it would not be expected that all claims reserved would fall to be paid/settled in the current financial year.

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 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 1st November 2021
- 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.

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<p>BACKGROUND DOCUMENTS None</p>
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