



**Agenda Item 7**

**JOINT AUDIT COMMITTEE  
29 June 2023**

**INSURANCE ARRANGEMENTS**

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

**1. PURPOSE OF THE REPORT**

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

**2. BACKGROUND**

- 2.1 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 & PUBLIC LIABILITY**

- 3.1 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.
- 3.2 As a consequence of developments associated with trauma medical care, there is a reduction in the number of fatal injuries being recorded, with an increase in catastrophic injury claims. Where such claims are presented, the costs consequences are significant – e.g 21 year old sustaining catastrophic injuries necessitating 24/7 care for potentially 60 years.
- 3.3 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.
- 3.4 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.

Casualty Policies:

**£714,014.56**

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

**TOTAL PREMIUM**

**£714,014.56**

#### 4. MOTOR INSURANCE

##### Motor Third Party Insurance

- 4.1 A particular area of challenge relates to the motor third party risks. There have been multiple catastrophic personal injury claims involving blue light vehicles with individual claim values in excess of £15m each affecting other forces.
- 4.2 In addition, there has been a noted increase in vehicle damage repair costs which has also had an impact on motor insurance premium rates, not solely limited to repair cost but the added impact of extended period of hire for alternative vehicles and the associated cost consequences.

##### Motor Own Damage Provision

- 4.3 In recognition of the policy excess applicable to the motor insurance policy being £500,000 we are effectively self-insured for all own damage to WMP vehicles. A provision is made within the insurance fund to pay for own damage claims in the amount of £1,819,007 (see insurance fund section below)

##### Premiums charged:

Motor Insurance: **£681,468.60**  
Cover arranged with a policy excess of £500,000. Cost per vehicle £365 (last year £299).

#### **TOTAL PREMIUM**

**£681,468.60**

#### 5. PROPERTY & ASSETS

- 5.1 Cover is arranged in collaboration with six other Midland Forces. The policy is subject to a competitive tender exercise this year following the expiry of the previous 5 year contract. The cover is placed currently with the same insurers as the casualty programme – QBE.
- 5.2 An exercise in the re-valuation of the force estate for the purposes of insurance rebuilding costs took place in this insurance year which resulted in a significant uplift in the overall sums insured from £376m and £693m – an increase of 84%
- 5.3 The principal property insurance policy was renewed at a premium of **£139,849.47**.
- 5.4 Of note, pending the installation and operation of fire suppression systems at Nexus Logistics Centre there is a policy excess clause of 20% of the specific location sum insured of £46m.

#### **TOTAL PREMIUM**

**£139,849.47**

#### 6. RIOT DAMAGES INSURANCE

- 6.1 A new policy was incepted this year to provide assurance to the force in the event of riots being declared in the force area. Previous riots in 2011 cost WMP in excess of £1.4m. Until this policy was arranged, there was no market availability for such cover.

#### **TOTAL PREMIUM**

**£134,672.16**

## **7. HERITAGE MUSEUM STAND ALONE POLICY**

7.1 This policy was set up following the creation and opening of the police museum. The rationale being the function and operation of the museum sat outside of our standard function of policy covered by our existing insurance policy, which operates with a level of excess in the sum of £500k. This policy covers the risks associated with the museum subject to a £1000 policy excess.

**TOTAL PREMIUM** **£11,273.64**

## **8. MISCELLANEOUS POLICIES**

8.1 Additional miscellaneous policies, include property cover for the peril of terrorism, computers, aviation liability (drones), marine, contract works, and engineering results in premiums totaling £149,257.14.

**TOTAL PREMIUM** **£149,257.14**

## **9. INSURANCE CLAIMS HANDLING**

9.1 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 £86,596.80

**ESTIMATED CHARGES** **£86,596.80**

## **10. INSURANCE BROKING**

10.1 We engage the services of a national insurance broker via a tender arrangement. There are two awards, one relating to the work undertaken on behalf of the consortium for the property and assets for which we pay a fee of £1245 and independently we contract for services associated with the casualty programme in the sum of £6145 pa.

**TOTAL PREMIUM** **£7,390.00**

## **11. TOTAL INSURANCE PREMIUM OUTLAY 22/23 **£1,963,783.21****

11.1 The final outlay for insurance premiums, broking fees and claims handling costs amounted to £1,963,783.21 (inc IPT & VAT). This represents a blended increase across the whole programme of 27% based on a combination of rate increases and increases in our sums insured.

## 12. INSURANCE FUND POSITION

12.1 Liability 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.

12.2 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.

12.3 The current reserves held against notified liability claims based on evaluation of likely costs:-

Employers Liability	=	£1,032,876
Public Liability	=	£10,507,142
Motor Third Party	=	£1,677,615
Motor Own Damage	=	£1,819,007
<b>TOTAL</b>		<b>£15,036,640</b>

12.4 The current balance of the Insurance Fund stands at £9.5m. As such, whilst there is shortfall in the current reserve values, cases are 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 63% 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. There is a process of quarterly reporting the average expenditure for all claims in addition to any anticipated large claim settlement payments being required to assist with financial budgeting and forecasting.

## 13. TOTAL OF FORCE INSURANCE PROVISION

• Premium Spend	£1,963,783
• Claims Payments	£4,841,554
• Total Reserves	£15,036,640
• <b>TOTAL</b>	<b>£21,841,977</b>

## 14. FINANCIAL IMPLICATIONS

14.1 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.

14.2 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.

## 15 LEGAL IMPLICATIONS

15.1 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.

## 16 EQUALITIES IMPLICATIONS

16.1 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.

## 17. RECOMMENDATIONS

17.1 The Committee is recommended to:

- a) Note the action taken in the renewal of Insurance cover with effect from 1<sup>st</sup> November 2023.
- 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>	<b>BACKGROUND DOCUMENTS</b>
Name: Peter Gillett Title: Director of Commercial Services  Name: Lynn Joyce Title: Interim CFO to PCC	None



west midlands  
police and crime  
commissioner

