

INSURANCE POLICY 2023-27

Leicestershire County Council's (the Council's) insurance programme is arranged in conjunction with its appointed Insurance Brokers. This is currently Aon UK Ltd but the outcome of a broker re-procurement exercise is awaited.

Potential losses are covered by a combination of self-insurance and a range of policies held with insurance companies, which are renewed on an annual basis. The process to identify the level of self-insured retention against the insurance required is based on several factors. These include the reduction in premium (including associated premium tax currently 12%) to be achieved by altering the excess levels weighed up against the Council's ability to meet an increased exposure, for example by way of a spike in claims received due to external factors like the weather and for one-off large losses.

'Aggregate stop limits' are in place which cap the potential exposure to the Council on an annual basis by reducing the self-insured retention levels (excess) significantly once the limit has been breached.

The Council's Insurance Programme is currently insured via Risk Management Partners (RMP) with liability and motor risks underwritten by QBE and property risks underwritten by American International Group (AIG). The current insurance arrangements have been in place since 2014 following an OJEU compliant Tender. The tender was awarded based on a long-term agreement covering a maximum 10-year period with various break points during the contract. The following policies/covers are currently in place as of 1st October 2022:

Class of Insurance	Limit of Indemnity / Basis of Cover	Aggregate Stop Limit if applicable	Self-insured retention/excess
Employers' Liability	£50m – Cover written on an any one occurrence basis via QBE.	£3.5m	£425,000
Public Liability	£50m - Cover written on an any one occurrence basis	£3.5m	£425,000
Officials Indemnity	£10m – Cover written on an aggregate basis	£3.5m	£250,000
Professional Indemnity	£10m - Cover written on an aggregate basis	£3.5m	£75,000
Fidelity Guarantee	£10m - Cover written on an aggregate basis	N/A	£100,000

Motor	Comprehensive	N/A	£1,250 (only applying to own vehicle damage)
Material Damage & Business Interruption (Non-Education)	Day One Reinstatement Business Interruption £25m Increased Cost of Working (ICOW) (48 months)	£1m	£500,000
Material Damage & Business Interruption (Education)	Day One Reinstatement Business Interruption £25m ICOW (48 months)	£1m	£500,000
Material Damage & Business Interruption (Commercial including Industrial Units)	Day One Reinstatement Business Interruption £25m ICOW (48 months)	N/A	£250
Material Damage & Business Interruption (Farms)	Day One Reinstatement Business Interruption £25m ICOW (48 months)	N/A	£500
Terrorism	Select properties Business Interruption £25m (48 months)	N/A	Nil

Using information on claims, premiums and claims handling costs, RMP is currently reviewing the Council's current programme including the types and levels of cover and self-insured retention (SIR) limits, and for context will undertake some benchmarking against similar size authorities. The planned outcome is for RMP to present its view on what should be the SIR placement/strategy of LCC for the next five to ten years to come. To achieve this realistically RMP will need to 'price up' sensible, alternative SIR limits. In conjunction with its broker, the Insurance Service management will review the outcomes and make recommendations for the forthcoming years.

An annual revenue contribution is required to allow the Council to fund claims within the self-insured retention limits, thus aiming to prevent a detrimental impact on service budgets. The level required is assessed annually as part of the MTFs, based upon a number of factors including the current claims experience and anticipated future changes. For example, new heads of claims which may emerge.

The amount of funding required from the Council, can vary significantly each year. This can be due to one off catastrophic incidents occurring, such as a large building fire, or simply the timing of when claims are reported culminating in an increased volume of claims covering one particular period.

For own property damage claims, and fidelity (theft) claims, there is usually a short delay between incident and notification. It is therefore a more straightforward process to set aside appropriate funding for annual losses but retaining a focus on catastrophic events which occur on a less regular basis, but which have a greater financial impact.

Assessing liability claim levels is more difficult, due to the nature of claims that the Council receives, claims will have been incurred but not reported within the financial year of the incident. A number of years can elapse before a liability claim is concluded.

Earmarked funds are held to allow for years of exceptionally high claims, both in terms of volume and value, to be covered without detriment on the annual revenue budget. The earmarked funds for these classes are subject to an annual internal assessment to ensure that they are maintained at suitable levels in order to meet ongoing financial commitments. In addition, provisions are held for claims received that are awaiting settlement, the level being based on an assessment of the likely liability. An external actuarial review is due to be undertaken in early 2023.

The Insurance Service employs experienced claims negotiators who handle all liability claims brought against Leicestershire County Council up to the delegated authority limits as agreed with the insurer.

The claims handling delegated authority extends to cover investigations into allegations of negligence and provides authority to take decisions on liability. The Council's claims negotiators, its Legal Services team and external solicitors and other approved experts, work in partnership to defend litigated claims.

The Insurance Service has traditionally been subject to annual audits undertaken on behalf of the Insurance Company. The outcome of these audits could ultimately have implications on the agreed delegated authority limits resulting in reduced autonomy over decisions of liability and settlement negotiations. Outcomes have generally been exceptional (highest rating).

More details on the principles of risk financing are to be found in the Council's Risk Management Policy Statement and Strategy 2023.

Revised December 2022

Next due December 2023

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