



**CORPORATE GOVERNANCE COMMITTEE**  
**19 SEPTEMBER 2025**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**INSURANCE SERVICE – ANNUAL REPORT 2024-25**

**Purpose**

1. The purpose of this report is to present to the Corporate Governance Committee (the Committee) the annual report on work conducted by the Insurance Service (the Service) during the period September 2024 to August 2025.

**Background**

2. Financial Procedure Rule 31 states that the Chief Finance Officer (CFO) will be responsible for arranging or amending insurance cover. This will be in accordance with policies laid down by the Executive.
3. Standard Financial Instruction 18 (Insurance of Risks) stipulates arrangements for: -
  - a. advising the Executive at key stages in the process of any litigation or disputes resolution where the Council is at risk of paying significant damages or costs;
  - b. notifying the CFO immediately any fire, loss, liability or damage, or any event likely to lead to a claim;
  - c. obtaining prior approval from the CFO and the Director of Law and Governance to the terms of any indemnity which the Council is requested to give;
  - d. allowing that a chief officer may arrange to provide insurance cover against risks not normally covered by the County Council as a whole, but such cover must be arranged via the CFO.
4. The Insurance Service (the Service) directly employs 6 staff (5.6 fte). It not only arranges insurance cover and handles claims for the Council's own wide range of services, but also (on a traded basis) for ESPO and the East Midlands Freeport. The Service also receives income from administering the

Leicestershire Academies Insurance Scheme (LAIS) for academy trusts, predominantly those located within the Leicestershire boundary. Zurich Municipal are the current insurers for LAIS, but a re-procurement will be required from September 2026. From 1 October 2024, the LAIS scheme includes the remaining local authority-maintained schools.

### **Work undertaken during 2024-25**

#### **Insurance Programme - Re-Procurement & annual renewals process**

5. The Council's insurance year runs from 1 October to 30 September. The current (2024-25) programme was arranged during 2024 in conjunction with the Council's appointed Insurance Brokers (Marsh Limited) by way of a tender utilising the Yorkshire Purchasing Organisation (YPO) framework via ESPO.
6. The tender was set by way of a Lot Structure as follows: -

<b><u>Lot number</u></b>	<b><u>Policies</u></b>	<b><u>Bids received</u></b>	<b><u>Awarded to</u></b>
1	Property, Contractors All Risks, Computers, Specified All Risks	5	Maven Public Sector
2	Combined Liability, including Employers and Public Liability, Professional and Officials Indemnity & Fidelity Guarantee	3	Maven Public Sector
3	Motor Fleet	5	Travelers Insurance Company Ltd

7. All three Lots were awarded on the basis of a 3+2+2+2 length of agreement basis with each of the winning bidders providing more advantageous quotations in terms of price and quality than the previous insurer quoted as part of their tender submission.
8. A significant decision which affects the cost-risk balance is the level of "deductible" (excess) that the Council meets from its own resources and premiums can be reduced by taking a higher deductible. The deductible is generally on a "per claim" basis, although the risk can be reduced further by including an aggregate limit which caps the total annual amount of the Council's exposure. High deductibles expose the Council to greater risk therefore robust risk management across the organisation is essential to reduce both the amounts payable in self-insured amounts and the external premium charged.

9. For 2024-25 the following deductibles/excesses were increased: -
- Employers' Liability & Public Liability – from £425,000 to £500,000
  - Professional Indemnity - £75,000 to £250,000
  - Motor Insurance - from £1,250 to £5,000 (Own damage only).
10. In preparation for the 1 October annual renewal, the Service has gathered the insurers' required data from all services, disclosed any proposed significant changes to policies and service provision and provided detailed information on the claims position. This will be sense-checked by the Council's broker in time for any negotiations in policy increases and further decisions on deductibles.

### **Municipal Mutual Insurance Ltd**

11. Municipal Mutual Insurance Limited (MMI), the Authority's insurer between November 1969 and October 1992, ceased writing insurance business owing to financial difficulties in September 1992. MMI became subject to a Scheme of Arrangement which was triggered in November 2012.
12. Once the scheme was triggered, the Scheme Administrator reviewed the assets and liabilities of MMI in order to determine whether a Levy on Scheme Creditors was required. Based on an actuarial review by KPMG an initial 15% levy was required to achieve a projected solvent run-off. MMI has collected the original 15% levy (set in January 2014) and the additional 10% levy in April 2016. As a result, the Council (as a member of the Scheme of Arrangement) is now self-insured to the extent of 25% of any future claim payments. If the anticipated number of new claims exceeds the actuarial projections, the levy will be reviewed and may increase above the current 25%. Such an outcome is not currently anticipated but remains a possibility in the future prior to the runoff of all claims being completed.
13. The independent broker Gallaghers provides an annual review of the Scheme Administrators report, Within the 2023/24 accounts, the Scheme Administrator indicated a profit of £nil for the company in the past year (2022/23 profit was £nil). Grant Thornton remained as external auditors.
14. Some of the key comments outlined in the Scheme Administrator's strategic review were: -
- a. The current accumulated loss on the balance sheet was £nil as it was in 2022/23
  - b. Increased income from investment activities due to higher interest rates.
  - c. There has been a strengthening in the 'Incurred, But Not Reported' (IBNR) provision, which reflects increasing costs in the expected number of mesothelioma claims (usually linked to asbestos exposure) and an increase in the number of abuse claims reported during the year
  - d. There has been an increase in the number of outstanding claims and a higher volume of claims reported in-year.

- e. No further increases to the levy (from 25%) are currently anticipated.
- 15. However, as always Gallaghers comments were caveated with, 'Due to the latent nature of some claims, MMI's independent actuaries (KPMG) projections are subject to substantial uncertainty, and it is not possible to guarantee that the total levy percentage of 25% will remain sufficient'.
- 16. The impact of possible future adverse claims trends and new legislation is a key risk for potential further deterioration and levy increases. Additionally new types of latent claims may emerge in the coming years for which no provisions have so far been made. MMI's actuaries assume that the run-off of claims will continue until 2060, indicating the long-term nature of this uncertainty.
- 17. At Leicestershire County Council, MMI's position is kept under review especially in terms of the Uninsured Loss Fund.

### **Claims handling**

- 18. 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. Each claim follows a rigorous process set out in law and the Service works closely with departments to ensure claims are being assessed and determined correctly and fairly and Claims Managers regularly attend department management teams to provide advice on mitigating the risk of claims.
- 19. Claims handling delegated authority extends to full 'cradle to grave' claims handling of public and employers' liability claims. This includes investigation, determining legal liability and either repudiation (claims where liability is successfully denied) or settlement of the claim as appropriate. The Council's claims team, its Legal Services team, external solicitors and other approved experts, work in partnership to defend litigated claims.
- 20. Complex and high value claims cannot often be finalised until some years after the incident. As a result, the total cost of claims arising in each year will not be finally known for some years.
- 21. The amount actually paid from the insurance fund in each financial year (regardless of when the claim originated) on each of the major types of claims is shown below. (This does not include amounts met by insurers on large claims). Amounts paid in an individual year are variable; however, the greatest costs to the Council are from employer's & public liability and property. Within this, employer's liability claims tend to be higher value per claim but are fewer in number. These figures do not include motor claims which are handled by the insurer.

<b>Policy Type</b>	<b>2022-23 (£000)</b>	<b>2023-24 (£000)</b>	<b>2024-25 (£000)</b>
Employer's Liability (EL), Public liability (PL) & Official's indemnity (OI)	247	176	262
Own Property	0	294	130
Professional Indemnity	0	0	0
<b>Total</b>	<b>247</b>	<b>470</b>	<b>392</b>

22. The greatest numbers of claims arise from activities connected to highways maintenance. To maintain the excellent repudiation rates on highways claims (predominantly pothole damage claims) with repudiation regularly over 85%, the Council needs to maintain its scheduled inspection regime and repair defects within the specified timescales to ensure it has a defence to claims. The highways department is continuing to develop its new risk-based approach repairs policy. Any significant increase in repair times, could impact the Insurance Service claims performance.
23. The most recent balanced scorecard report, 1 July 2024 (Q2) to 30 June 2025 (Q1) reveals a high number of new claims each quarter, high repudiation rates and relatively low payments: -

	<b><u>Target</u></b>	<b><u>Q2</u></b>	<b><u>Q3</u></b>	<b><u>Q4</u></b>	<b><u>Q1</u></b>
Number of new insurance cases <sup>1</sup> (all classes)		162	152	147	152
% claimants paid at NIL <sup>1</sup> (EL, PL and OI)	90%	89%	86%	85%	87%
Total amount reserved (£m) (LCC only – EL, PL and OI)		£5.6	£4.2	£4.5	£5.2
Total amount paid out (£k) (LCC only – EL, PL and OI)		£74	£369	£239	£46

<sup>1</sup> includes a very small number of ESPO and academies cases

24. Pothole damage is a nationwide concern and (in conjunction with Highways colleagues) the Service regularly receives Freedom of Information (FOI) Environmental Information Regulations (EIR) requests and has to provide answers to questions on (for example): -
- number of claims made by drivers regarding pothole damage
  - total number of claims that resulted in a payout by the council
  - the total sums the council has paid out in pothole damage
  - the highest pothole damage claim payout paid
25. During the period September 2024 to July 2025 the Service provided responses to 15 FOI/EIR requests.

**Mitigating risks**

26. Whilst its core business is arranging appropriate cover and defending claims, the Service has a key role to play in advising departments on mitigating risks in their service provision. Some examples of advice and interaction assisting risk mitigation are shown in **Appendix 1**.

**Resource Implications**

27. The work of the Insurance Service helps to protect the Council's assets (and the public purse) by determining an appropriate mix of risk financing methods, defending claims against the Council, and assisting departments with their service risk mitigations.

**Equality Implications**

28. There are no specific equality implications contained within the annual summary of work undertaken.

**Human Rights implications**

29. There are no human rights implications arising from this report.

**Recommendations**

30. That the Committee notes the Insurance Service annual report for 2024-25.

**Background Papers**

The Constitution of Leicestershire County Council -

<https://democracy.leics.gov.uk/ieListMeetings.aspx?CId=1187&info=1&MD=Constitution>

**Circulation under the Local Issues Alert Procedure**

None

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### **List of Appendices**

Appendix 1	Examples of advice and interaction assisting risk mitigation (2024-25)
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