

HAMPSHIRE COUNTY COUNCIL

Report

Committee:	Policy and Resources Select Committee
Date:	11 March 2010
Title:	Annual Report on the County Council's Insurance Arrangements
Reference:	1419
Report From:	Chief Executive

Contact name: Peter Andrews, Corporate Risk Manager

Tel: 01962 847309

Email: Peter.andrews@hants.gov.uk

1. Purpose of Report

1.1. The purpose of this report is to update Members on the County Council's arrangements for financing insurable risk. It also provides Members with comparisons of those arrangements with those of other local authorities, through the County Council's participation in the benchmarking club operated by Cipfa, the public sector accountancy body

2. Contextual Information

2.1. For a number of years, the County Council has operated a policy of self insurance. This means that payments are principally met for insurable losses from the County Council's own resources placed in a dedicated revenue budget. A summary of the current arrangements can be found as an appendix to this report.

2.2. Since 2002 the County Council has purchased 'catastrophic loss' insurance cover in the areas of employers' and public liability in order to limit the County Council's overall exposure.

2.3. Self insurance means there is a direct relationship between actual claims and the amounts paid. It places a greater emphasis on effective risk management to avoid claims occurring, rather than a reliance on post loss reimbursement.

3. The County Council's Self Insurance Arrangements

3.1. In October 2008, the County Council commissioned its brokers, JLT, to review the County Council's insurance arrangements. Their resulting report came to a positive conclusion:

3.2. “In comparison with other County Councils HCC have, in the main, an above average risk retention strategy. It is only possible to retain this level of strategy where an Authority operates a high level of Risk Management and has the skills and expertise in house to monitor and control risks.

JLT have in recent years started seeing a greater number of the larger Unitary and County Councils move towards this strategy. JLT would expect this to be an ongoing trend as more County Councils improve their Risk Management capabilities and also in light of the current economic conditions and an insurance market which is expected to harden.”

3.3. Recent years have seen a marked increase in other local authorities adopting a similar strategy of self insurance. This has been as a result of dissatisfaction with the insurance market, the lack of a competitive market for local authority insurances and the growing use of, and confidence in, effective risk management. In addition, there are significant cost benefits for larger organisations, such as Hampshire County Council in self insuring.

4. Comparisons with other Local Authorities

4.1. The County Council participates in a benchmarking club on insurance through Cipfa, the public sector accountancy organisation.

4.2. Comparisons from the Cipfa benchmarking club show that in terms of public liability cover, although the County Council holds a greater level of self insurance, in the form of high excesses or deductibles, the overall levels of insurance provided for is in line with County Councils of comparable size.



4.3. The overall cost of these arrangements continues to be below the average compared with other County Councils. In addition, there continue to be strong arguments for the long term efficiency of this approach. As JLT reported:

“A major advantage of high levels of self insurance is in periods of "hardening" insurance markets with rising insurance costs. HCC are

sufficiently distanced from the insurance market as they retain most of the risk themselves and would have a level of immunity from premium increases, this would particularly be the case in respect of the Liability Insurance Programme.”

- 4.4. In addition, the County Council handles all of its liability claims “in-house”. This maintains a reputation for robust defence. This reputation undoubtedly contributes towards the County Council’s low claims figures.

5. Costs and Trends

- 5.1. There are three main areas of insurance:

Liability

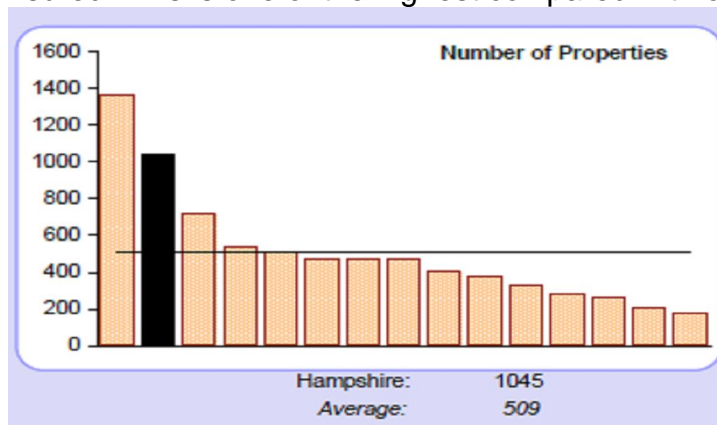
Property

Motor

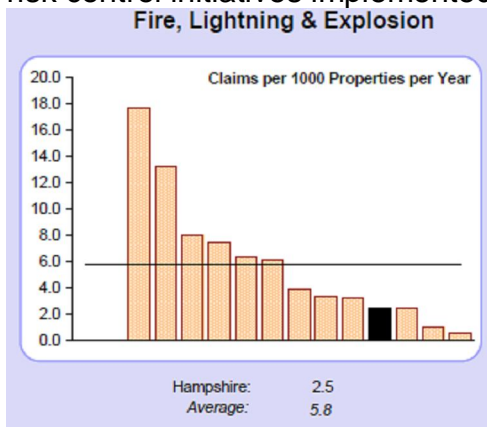
- 5.2. Liability insurance relates to civil law claims made by members of staff, the public or outside organisations against the County Council.
- 5.3. Changes in court rules in recent years have meant shorter timescales for responding to claims; with a need for full investigation and disclosure at an early stage. Although this has undoubtedly resulted in benefits to the public making claims against local authorities, it has resulted in an increase in resources required to deal with such claims, particularly in terms of increasingly complex claims, requiring considerable research and investigation.
- 5.4. In terms of public liability claims, the County Council stills receives fewer claims than any other English County Council and the average cost of claims paid is also among the lowest in the country.
- 5.5. The majority of public liability claims arise from incidents on the highway. Since 2005, there has been an increase of approximately 38 % in highway related claims. One of the reasons for this is undoubtedly the levels of adverse weather conditions. In the longer term, this may be an area affected by future climate change and predicted increased numbers of adverse weather events.
- 5.6. In comparison with other County Councils, Hampshire has both lower numbers of highways claims and lower costs paid per average claim.
- 5.7. Claims against the County Council are managed by a dedicated team in the legal services unit. The cost of handling claims is above average when compared with other county councils within the benchmarking club. Further investigation needs to be undertaken to fully explain this, but it would appear that this can be accounted for by lower external legal and claims handling costs, a higher proportion of complex claims, and the County Council’s high success rate.

6. Property

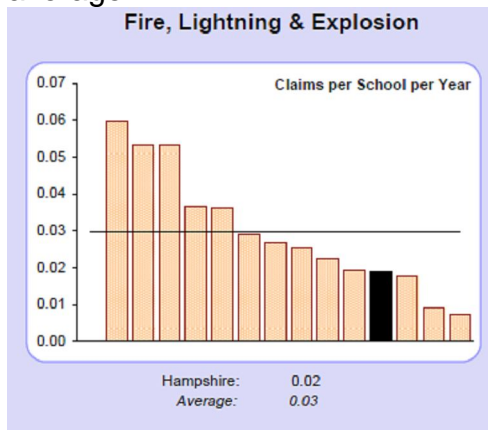
- 6.1. The County Council has self insured its property since 1974, with the exception of a few high value properties or properties leased to third parties where the premium can be recharged to those parties. This cover is restricted to the perils of fire, lightning and explosion.
- 6.2. In relation to schools, the cover has been extended to cover major storm and flood damage. All other perils are covered by budgets within the County Council which sit within the individual departments that occupy the premises. The costs of maintenance and repair to the County Council's buildings are regularly reviewed and reported by the Property, Business and Regulatory Services Department.
- 6.3. The County Council has an extensive property portfolio which is self insured. This is one of the highest compared with other County Councils.



- 6.4. There are very few claims received under the perils covered by the insurance revenue account. This is evidence of the effectiveness of the risk control initiatives implemented across the portfolio.

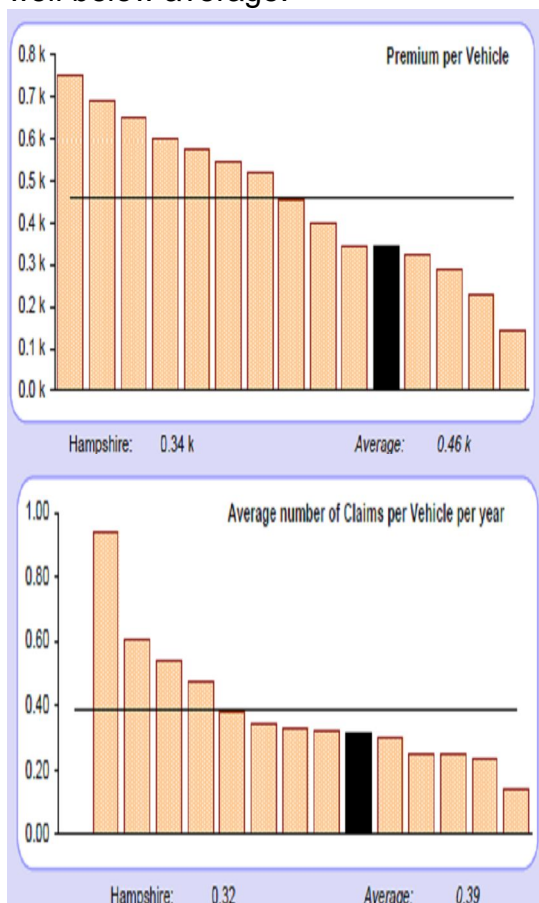


6.5. Claims received by schools in Hampshire are well below the country average.



7. Motor Fleet

7.1. The County Council insures its Motor fleet through commercially purchased insurance. Both premium costs and numbers of claims remain well below average.



8. Conclusions

- 8.1. The County Council's insurance arrangements continue to be reviewed regularly by Legal Services (as the service responsible), County Treasurers and the County Council's Risk Management Board.
- 8.2. The current arrangements, with their emphasis on risk control, robust claims management and high levels of self insurance compare favourably with similar arrangements operated by other local authorities.

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

None

IMPACT ASSESSMENTS:

1. Equalities Impact Assessment:

1.1. No impact

2. Impact on Crime and Disorder:

2.1. No impact

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption? No impact

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts? No impact

Appendix 1

Summary of Hampshire county Council Insurance Arrangements

The County Council operates a 'mixed economy' in terms of insurance cover. Currently we self insure up to a limit of indemnity of £5m for:

- Public Liability

- Employers' Liability

- Officials' Indemnity

Self cover arrangements also operate for Fidelity Guarantee and Personal Accident to staff.

Property, buildings and contents including IT equipment are covered for fire, lightning, explosion and theft. School buildings are also covered for major storm and flood damage and the central IT Suite for all risks.

The County Council has external 'catastrophic loss' cover with commercial insurers for public liability, employers' liability and officers' indemnity for claims over £5m or £14m aggregated in any one year.

Certain properties are also insured externally where the property is high value, the premiums can be recharged to the occupier or insurance is required under funding arrangements.

Other risks insured externally are:

- Motor Fleet

- Libel and Slander

- Liability of Hirers of County Council premises

- School journey - travel for staff/ members

- Engineering inspection