

**Report To:** Policy & Resources Committee      **Date:** 16 November 2010  
**Report By:** Chief Financial Officer      **Report No:** FIN/76/10/AP/CMcL  
**Contact Officer:** Jan Buchanan      **Contact No:** 01475 712225  
**Subject:** Insurance Fund Position as at 30<sup>th</sup> September 2010

---

## 1.0 PURPOSE

- 1.1 The purpose of this report is to advise Committee of the position of the Council's Insurance Fund as at 30<sup>th</sup> September 2010 and to highlight any relevant issues.

## 2.0 SUMMARY

- 2.1 The claims experience of the Council continues to be relatively stable.
- 2.2 The Insurance Fund had a balance of £4.9 million at 30<sup>th</sup> September 2010.
- 2.3 Expected liabilities on claims outstanding at 30<sup>th</sup> September 2010 are £1.2 million.

## 3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee note the contents of this report and the current position of the Insurance Fund.

Alan Puckrin  
Chief Financial Officer

## 4.0 BACKGROUND

- 4.1 Following a review of available options by the officers of the Council and also on advice from the Council's Insurance Brokers, the September 2003 meeting of the Corporate Business Committee agreed a change in the Council's Insurance Strategy whereby there was a move to a significant level of self insurance.
- 4.2 This approach has delivered significant savings in both external payments and internal recharges.

## 5.0 2009/10 PERFORMANCE

- 5.1 The overall insurance picture for 2009/10 has seen the number of claims received continue to stabilise, as can be seen in Appendix A. The reduction in claims since 2007/08 is in part due to the transfer of the Council's Housing Stock to River Clyde Homes in December 2007.

The fund reduced by £490,000 during the year to 30<sup>th</sup> September 2010 due to a reduction in contributions paid to the fund (including a reduction in contributions of £200,000 used to fund additional road works following the severe winter and a reduction of £50,000 for the second 6 months of the year as a result of the actuarial review) and to claims being chargeable against the Fund in the year in relation to property and liability incidents being higher than in previous years.

There are currently £1.2 million of expected liabilities on the fund leaving a balance of £3.7 million for future claims as at 30<sup>th</sup> September 2010.

- 5.2 The Fund is the subject of an actuarial review every 3 years with the review being undertaken in November 2009. As a result of this review it is proposed to reduce contributions to the fund by £100,000 per year until at least the next actuarial review but to continue to monitor the Fund performance in case action needs to be taken on the proposal.

It should be noted that continued low interest rates mean that the interest earned by the Fund also remains low and this impacts on the Fund balance.

- 5.3 The Committee should note that some insurance claims may appear several years after the period to which they relate. However the current surplus levels ensure that the self-insurance position remains encouraging.
- 5.4 It can be seen from Appendix B that payments made by the Council's External Insurers continue to be significantly less than the premium paid. The factors affecting this situation are:
- (a) For Property Insurance our Insurers are effectively providing disaster cover and it is hoped by both parties that our insurer will never be asked to pay out against this policy.
  - (b) For Liability Insurance our External Insurers deal with the longer-tailed claims such as Employer's Liability and these claims take longer to be generated and finalised.
- 5.5 High volume, low value claims for public liability continue to be dealt with in-house, whilst the insurers deal with all other claims.

## **6.0 THE YEAR AHEAD**

- 6.1 Officers within Finance Services will continue to monitor the performance of this strategy closely and will continue to present reports no less frequently than annually to Committee.

## **7.0 IMPLICATIONS**

- 7.1 Legal  
None.

- 7.2 Financial  
The expenditure borne by the Insurance Fund in the year to 30<sup>th</sup> September 2010 amounts to £666,000. The internal contribution to the fund of £176,000 shows a reduction in the Fund in year of £490,000.

- 7.3 Human Resources  
None.

- 7.4 Equalities  
None.

## **8.0 CONSULTATIONS**

- 8.1 None.

## **9.0 LIST OF BACKGROUND PAPERS**

- 9.1 None.

## Insurance Fund Financial Summary - Insurance Years 2008/09 - 2009/10

	Insurance Years		
	2008/09 (1st Oct 2008 - 30th Sept 2009) £	2009/10 (1st Oct 2009 - 30th Sept 2010) £	
<b>Fund Income in Year</b>			
Total Contributed to the Fund	627,048.68	154,396.72	
Internal Resources Interest	95,225.66	21,935.56	
	<u>722,274.34</u>	<u>176,332.28</u>	A
<b>Fund Expenditure in Year</b>			
Risk Management	27,500.00	5,000.00	
Consultants Fees (Actuary)	0.00	14,200.00	
Computer Replacement Fund	15,000.00	12,000.00	
	<u>42,500.00</u>	<u>31,200.00</u>	
Actually Incurred Charges to the Fund in Year	237,821.89	635,043.23	
	<u>280,321.89</u>	<u>666,243.23</u>	B
Net Surplus/(Deficit) on Fund in Year	<u>441,952.45</u>	<u>(489,910.95)</u>	C=A-B
<b>Fund Balance</b>			
Balance As At Start of Year	4,944,179.74	5,386,132.19	D
Add:			
Net Surplus/(Deficit) on Fund in Year	441,952.45	(489,910.95)	C
Actual Fund Balance At End of Year	<u>5,386,132.19</u>	<u>4,896,221.24</u>	E=D+C
Less:			
Estimated Outstanding Charges on Fund	1,554,645.15	1,218,522.91	F
Balance for Future Years Claims At End of Year	<u>3,831,487.04</u>	<u>3,677,698.33</u>	G=E-F

## Claims Information For Last 5 Insurance Years

(This information is for the number of claims received analysed by the year to which the claim relates)

	No. of Claims Received For Year	No. of Claims Settled/Resolved	No. of Claims Outstanding	Estimated Outstanding Charges On Insurance Fund £
2005/06	353	346	7	68,509.45
2006/07	370	353	17	232,632.00
2007/08 *	247	227	20	128,217.00
2008/09	261	217	44	279,796.75
2009/10	243	99	144	416,047.47
	<u>1,474</u>	<u>1,242</u>	<u>232</u>	<u>1,125,202.67</u>
Claims Pre-2005/06			15	93,320.24
TOTALS			<u>247</u>	<u>1,218,522.91</u>

Of the claims outstanding, 56 relate to Motor Vehicle claims which are not payable by the Insurance Fund.

\* - The reduction in claim numbers between 2006/07 and 2007/08 is explained by the transfer of Housing Services to River Clyde Homes.

## Insurance Premiums/Payments By Insurers

Property Policies	Policy Excess	2010		2009/2010		2009		2008/09		2008		2007/08		2007		2006/07		2006		Responsibility for Policy Excess
		Premium Paid To Insurer	£	Payments Made By Insurer For Claims	£	Premium Paid To Insurer	£	Payments Made By Insurer For Claims	£	Premium Paid To Insurer	£	Payments Made By Insurer For Claims	£	Premium Paid To Insurer	£	Payments Made By Insurer For Claims	£	Premium Paid To Insurer	£	
Housing Properties	£1m																			Insurance Fund (First £1k met by Service)
General Properties	£1m																			Insurance Fund (First £1k met by Service)
Education Properties	£1m																			Insurance Fund (First £1k met by Service)
Professional Fees (First Loss)	£1m																			Insurance Fund (First £1k met by Service)
Removal of Debris (First Loss)	£1m																			Insurance Fund (First £1k met by Service)
Money	£500																			Excess met direct by Service
Business Interruption:-																				Insurance Fund (First £1k met by Service)
Gross Revenue	£5,000																			Insurance Fund (First £1k met by Service)
Addtl Expenditure	£100,000																			Insurance Fund (First £1k met by Service)
All Risks	£10,000																			Insurance Fund (First £1k met by Service)
Industrial/Commercial Property	£1,000																			Insurance Fund (First £1k met by Service)
Museum & Fine Art	£1,000																			Insurance Fund
Casualty Policies																				Insurance Fund
Public Liability	£50,000																			Insurance Fund
Employers Liability	£50,000																			Insurance Fund
Officials Indemnity	£50,000																			Insurance Fund
Libel & Slander	n/a																			Insurance Fund
Professional Negligence	Various																			Insurance Fund
Other Policies																				Excess met direct by Service
Motor	£2,500																			Ins Fund
Fidelity Guarantee	£10,000																			Insurance Fund (First £1k met by Service)
Work In Progress (CAR)	Various																			Excess met direct by Service
Contractors Plant	£500																			Insurance Fund (First £1k met by Service)
Engineering Inspection (net of VAT)	n/a																			Excess met direct by Service
Engineering Insurance	£3,600.49																			Insurance Fund (First £1k met by Service)
Public Health Act	1,851.00																			Insurance Fund (First £1k met by Service)
Computer	12,398.65																			Excess met direct by Service
Hirers Liability	£5,000																			Insurance Fund (First £1k met by Service)
School Journey	£100																			Excess met direct by Service
Business Travel/ PA	Various																			Excess met direct by Service
<b>INCL OF IPT</b>																				Excess met direct by Service
		553,816.28	16,659.98	516,292.56	33,140.63	505,138.03	43,677.37	926,605.38	45,993.87	838,561.05										

Ins Fund pre 1/10/08 Internal x/s of £1k wef 1/10/08