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To: Governance and Audit Committee – 22 September 2021

Subject: **KCC INSURANCE OVERVIEW**

Classification: Unrestricted

Summary: This paper provides a summary of insurance activity for the 2020/21 financial year and other points of interest.

FOR ASSURANCE

INTRODUCTION

1. The Council's insurance programme is extensive and designed to provide increased financial control of the risks arising from the diverse nature of its activities and support general business functions and income generating operations.
2. This report provides a review of activity for the 2020/21 financial year and other points of interest.

INSURANCE PROGRAMME

3. The insurance programme covers all directorate operations and local authority (non-academy) schools and is made up of several separate policies. The main four policies purchased are Employers Liability, Public Liability, Property, and Motor.
4. Following a tender of the full insurance programme effective from 1 January 2016, Zurich Municipal was awarded the contract for the majority of covers on a 5-year Long Term Agreement – expiring 31st December 2020.

The programme was therefore due to be tendered during 2020 but due to the impact of Covid-19 and the volatility in the market, a decision was taken to agree one-year policy extensions.

The tender process re-commenced in 2021 and new arrangements are due to be in place for 1st January 2022.

INSURANCE BROKER

5. A 12-month extension was agreed on existing rates with Arthur J Gallagher on 1st July 2021, in order to retain their services during the tender process as the council's broker. The broker contract is due to be tendered in 2022.

FUNDING OF INSURANCE PREMIUMS AND CLAIMS

6. Premiums and excess payments are paid through the corporately managed Kent Insurance Fund (KIF). Directorates and LEA schools contribute to this in accordance with their risk profile and claims experience. As of 31 August 2021, the KIF had a fully funded committed balance of £12.7m to meet the total for outstanding liabilities.
7. The KIF is supported by the Insurance Reserve. As of 31 August 2021, this stood at £13.8m and is held to protect the Council against future unexpected insurance costs. This includes historic claims where insurance may not be available or those associated with the unexpected increase in the cost or volume of claims.

MUNICIPAL MUTUAL INSURANCE (MMI)

8. Kent County Council has held insurance with MMI over two periods – the first between 1977-1984 and the second between 1990-1992.

In 1992 MMI experienced financial difficulties and stopped writing new business. They have been operating in run-off ever since. A solvent run-off has not been possible and as a result, a 'Scheme of Arrangement' was triggered in 2014 which involved the clawing back of monies from past members of the mutual to meet the outstanding future cost of claims.

In 2014 KCC was required to make a payment equalling 15% of the total sum paid by MMI in relation to its claims. A sum of £600k was paid. In addition, KCC was required to pay 15% of all future claim payments.

In 2016 KCC was required to make a further payment of 10%. A sum of £380k was paid. In addition, KCC now pays 25% of all future claims.

It is hoped that the levy collected from authorities to date will be sufficient to enable MMI to continue its run-off for several years and possibly even to close. Whilst the long tail nature of occupational disease and abuse claims makes them difficult to forecast, it is evident that these are starting to slow for the period of MMI's cover.

There is a current outstanding reserve against claims of £354k, which presents a potential further contribution of £88.5k under the current scheme if all these claims were to be settled (which is considered unlikely).

INSURANCE CLAIMS

9. Below is a summary of activity relating to the four main insurance policies during 2020/21.

10. EMPLOYER'S LIABILITY (EL)

The number of EL claims remains low	There are 6 new claims currently recorded for the 2020/21 financial year. This compares to 10 at the same time last year and 12 in 2018/19.
The majority of claims have occurred in schools.	5 out of the 6 claims have arisen due to incidents that have occurred in schools. All 6 claims are currently reserved at less than £25,000 (each).
A number of claims remain open across all years	There are 46 open claims that are currently being investigated and processed. These have an overall outstanding reserve of £1.85m. £680k is reserved against the KIF and £1.17m with the Council's insurers.

11. PUBLIC LIABILITY (PL)

PL claims have significantly decreased from last year	A total of 932 claims have been recorded against the 2020/21 financial year to date. This compares to 1616 at the same time last year. This reduction is considered due to the Covid-19 pandemic and the fact that the county was in lockdown for long periods of the year.
Almost all claims are highway related	98% of these claims are highway related. Vehicle damage due to potholes account for 53% of the claims.
KCC's repudiation rate remains strong	Decisions have been provided on the vast majority of vehicle damage claims for this period. 97% of claims have been defended. £4,850 has been paid in settlements to date. This is a fall of £6,650 compared to the same time last year.
Personal injury claims have decreased	240 personal injury claims have been recorded against the 2020/21 financial year to date. This compares to 326 at this time last year. 97% of these claims are highway related. Liability has been denied for 93% of those that have been assessed. £37k has been paid to date in relation to claims that have been settled.

There are a number of claims categorised as 'large loss'

'Large loss' claims are those reserved at £100k or more. There are currently 23 open claims in this category – 5 of which have been received since 1st April 2020. The majority of these arise due to highway related incidents but there are a small number relating to Education and Social Care. To date £5.7m has been paid (£4.8m by insurers and £900k by KCC) and a further £17.3m is reserved (£15.4m by insurers and £1.9m by KCC).

A number of claims remain open across all years

880 claims remain open across all years. This is consistent with the number of claims that are generally open at any one time. These have a current total outstanding reserve of £23.6m (£15.5m by insurers and £8.1m by KCC).

12. PROPERTY

Property claims have fallen from last year

111 claims were made against the property policy for 2020/21. This compares to 165 in 2019/20. This reduction is to be expected given that buildings were closed for long periods of the year. £470k has been paid to date from the KIF (all claims have been below excess). £353k is reserved against claims that remain open.

The majority of claims have been received from schools

75% of the claims have been received from Kent schools. Others are from children's centres, Adult Education Centres and libraries.

13. MOTOR

Motor claims have significantly decreased from last year

82 claims were made against the motor policy for 2020/21. This compares to 175 claims in 2019/20. The reduction is again due to the impact of Covid-19 and the fact that many school vehicles were not being driven during lockdown. £77k has been paid to date from the KIF (all claims have been below excess).

£7.5k is reserved against claims that remain open.

The majority of claims have been received from Highways

Over 50% of the claims have been presented by Highways. The remainder were from schools and social care.

RECOMMENDATION

14. Members are asked to note this report for assurance.

Lee Manser
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