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To: Governance and Audit Committee – 8 October 2020

Subject: **KCC INSURANCE OVERVIEW**

Classification: Unrestricted

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Summary: This paper provides a summary of insurance activity for the 2019/20 financial year and other points of interest.

**FOR ASSURANCE**

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## **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 2019/20 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 31<sup>st</sup> December 2020.

The programme was therefore due to be tendered this year but due to the impact of Covid-19 and the pressures it presented to the Council's Commissioning Team, a decision has been taken to explore one-year contract extensions.

Whilst discussions are currently ongoing, it is anticipated that these will be secured by the beginning of November 2020.

The tender process will then re-commence in early 2021 with a view to a new programme being in place for 1<sup>st</sup> January 2022.

## **INSURANCE BROKER**

5. A 12-month extension was agreed on existing rates with Arthur J Gallagher on 1<sup>st</sup> July 2020. A further option to extend until July 2022 is available and to ensure continued consistency throughout the tender process, it is likely that this will be accepted.

## **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 at 31 August 2020, the KIF had a fully funded committed balance of £7.14m to meet the total for outstanding liabilities. This is lower than usual at this stage of the year, but the corporate contribution has yet to be transferred due to the wider review of reserves approved by county council in February 2020. The review will be concluded by December 2020 and if the contribution remains similar to previous years, then the fund balance will be appropriate.
7. The KIF is supported by the Insurance Reserve. As at 31 August 2020 this stood at £16.1m 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 £620k, which presents a potential further contribution of £155k 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 2019/20.

### **10. EMPLOYER'S LIABILITY**

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The number of EL claims remains low

There are 10 new claims currently recorded for the 2019/20 financial year. This compares to 12 at the same time last year and 18 in 2017/18.

The majority of claims have occurred in schools.

7 out of the 10 claims have arisen due to incidents that have occurred in schools. All 10 claims are currently reserved at less than £50,000 (each).

A number of claims remain open across all years

There are 65 open claims that are currently being investigated and processed. These have an overall reserve of £2.47m. £830k is reserved against the KIF and the remaining £1.64m with the Council's insurers.

### **11. PUBLIC LIABILITY**

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PL claims have increased from last year

A total of 1,616 claims have been recorded against the 2019/20 financial year to date. This compares to 1470 at the same time last year. The increase is considered to be due to the wet weather that was experienced between December – February.

Almost all of these claims are highway related

98% of these claims are highway related. Vehicle damage due to potholes account for 67% of the claims.

KCC's repudiation rate remains strong

Decisions have been provided on the vast majority of vehicle damage claims for this period. 92% of claims have been defended. £11,500 has been paid in settlements to date. This is a fall of £7,500 compared to the same time last year.

Personal injury claims have increased

326 personal injury claims have been recorded against the 2019/20 financial year to date. This compares to 310 at this time last year. 95% of these claims are highway related. Liability has been denied for 88% of those that have been assessed. £123k 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 32 open claims in this category – 8 of which have been received since 1<sup>st</sup> April 2019. The majority of these arise as a result of highway related incidents but there are a small number relating to Education and Social Care. To date £6.95m has been paid (£6.3m by insurers and £650k by KCC) and a further £16.9m is reserved (£14m by insurers and £2.9m by KCC).

A number of claims remain open across all years

607 claims remain open across all years. These have a current total reserve of £23.6m (£14.3m by insurers and £9.3m by KCC)

## **12. PROPERTY**

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Property claims have fallen from last year

165 claims were made against the property policy for 2019/20. This compares to 180 in 2018/2019. £611k has been paid to date from the KIF (all claims have been below excess).

£798k 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. This includes several flooding claims arising from the heavy rainfall experienced in June 2019.

## **13. MOTOR**

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Motor claims have increased from last year

175 claims were made against the motor policy for 2019/20. This compares to 141 claims in 2018/2019. £240k has been paid to date from the KIF (all claims have been below excess).

£47k is reserved against claims that remain open.

The majority of claims have been received from Highways and schools

Of these claims, 40% have been presented by schools and 38% have been presented by Highways. The remainder were from within Social Care.

#### **RECOMMENDATION**

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

Lee Manser  
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