

AUDIT & RISK MANAGEMENT COMMITTEE**17TH FEBRUARY 2016**

REPORT TITLE	MANAGEMENT OF INSURANCE AND CORPORATE RISK
REPORT OF	ACTING S151 OFFICER

REPORT SUMMARY

This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2015/16. Progress made since November 2015 in relation to key actions planned for 2015/16 are also included.

RECOMMENDATIONS

1. That the content of this report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Regular update reports are presented to this Committee on the work around risk management and insurance which seek to support the Risk Management Policy and maintain the successful management of the Insurance Fund.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable to this report

3.0 BACKGROUND INFORMATION

- 3.1 Risk and insurance management comprises two significant areas of activity:
- The provision of advice and support to Members and officers in developing the corporate risk management framework and processes.
 - Risk financing which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.
- 3.2 In addition to day-to-day operations the insurance service is responsible for major procurement exercises and improvement activities. This report focuses on the latter. The key actions to be implemented during 2015/16 were included in the report to this Committee on 18 March 2015. Progress made since my last report in respect of those actions is summarised in the paragraphs below.

3.2.1 Crime Insurance

The Risk & Insurance team is exploring with the Council's brokers the cost and benefits of replacing the existing Fidelity Guarantee insurance policy with a Crime policy. This would not only cover employee dishonesty but also third party computer and funds transfer fraud, invoice fraud and cheque or credit card forgery. The outcome will be reported to a future meeting.

3.2.2 Risk Appetite

Data was gathered from members of the Strategic Leadership Team and Cabinet in December by means of an on-line survey. This is currently being evaluated and will inform a discussion to be held in the coming weeks aimed at reaching an agreed position on the nature and scale of risks which the Council is prepared to accept in order to deliver the Wirral Plan.

3.2.3 Corporate Insurance Budget

Work on the forecasting of corporate insurance costs for 2016/17 and their distribution across directorates and schools was completed in December. The Insurance Budget is the subject of a separate report to this Committee.

3.2.4 Corporate Risk Management Policy

Work has begun on the annual revision of the Policy. This will take account of changes in the structure and governance of the Council and areas for improvement of the risk management framework highlighted in the 2015 CIPFA/Alarm risk management benchmarking exercise. The draft document will be presented to a future meeting of this committee.

3.2.5 Corporate Risk Register

The Corporate Risk Register is the subject of a separate report to this meeting.

3.2.6 Alignment of Risk Management and Performance Management

The Risk and Insurance Manager has had further discussions with the Policy, Performance & Scrutiny team aimed at making risk and performance management arrangements more mutually supportive and delivering integrated reporting for the Wirral Plan.

3.2.7 Traded Service for Schools and Academies

The Risk and Insurance service offer for schools is being published in the Edsential brochure for 2016/17. Costings for individual schools have been calculated and reported to them. Most Academies are expected to join the Risk Protection Arrangement (RPA) being promoted by the Department for Education when the long term agreements on their existing insurance programmes end in September. My officers are working with Academies on a revised service specification to reflect the requirements of membership of the RPA.

3.2.8 Independent Insurance Scheme of Arrangement

The Council procured liability insurance from Independent Insurance between 1981 and 1984. In 2001 the company became insolvent and stopped paying claims. Since that point the Council has been paying 100% of claims attributable to these years from its uninsured liability fund. The administrators of Independent are now finally winding up the company and I currently expect to receive a dividend of approximately 14% of paid claims together with a contribution towards estimated future exposures. A detailed audit of the relevant files has been conducted and potential identified for a recovery of around £20,000 from the company administrators. Final agreement on figures and payment is expected within 2016/17. All future payments attributable to this exposure period will be uninsured.

3.2.9 Reserving Policy Changes

Current casualty insurers have been lobbying for some time to amend the basis on which files are handled and financial reserves for claims are calculated. They are under pressure from regulators to adopt a standard reserving philosophy across all areas of the business. This has been resisted to date as the proposed blanket reserving policy does not fit with the individual nature of the Wirral liability account. Our exceptionally high repudiation rate makes the adoption of a reserving policy that is based on industry averages inappropriate. The insurers have now insisted that this policy is adopted and therefore all future casualty claims reserves provided

by the insurers will be skewed. Although the individual claims reserves may be inflated this will not have direct funding implications as officers will apply appropriate local account knowledge to year end funding calculations. This reserve increase may however have an impact when this exposure is remarketed as the claims experience issued by the holding insurers will be inflated. We will point out our concerns with this data within the marketing documentation but we have no guarantee that these views will be taken into account by the respective underwriters.

3.2.10 Supplier audit programme

The ongoing supplier performance monitoring program exposed uncommon quality and service level adherence concerns with a longstanding member of the legal panel. This resulted in officers expanding the usual sampling to undertake a comprehensive review of all work in progress with the firm. This full review exposed a number of further service shortfalls, some of which could have resulted in claims leakage. These issues have been taken appropriately seriously by the firm concerned, who have acted to address the underperformance by implementing personnel and process changes, discounting / waiving applicable fees and the provision of improved management information. The net result is no identifiable loss to Wirral. Although the review and resolution process was time consuming. This firm will remain subject to increased monitoring arrangements for next few months and further concerns could ultimately lead to removal from the panel.

3.2.11 Claims Handling Changes

Discussions with existing insurers in relation to in house handling of liability claims restarted. This was driven by efforts to reduce expenditure on external claims handling fees but also as a reaction to the changing claims environment. The rate of self-represented claimants is increasing. This trend is expected to accelerate if recent proposals from the Government to increase the small claims limit to £5000 come to fruition. On this basis officers are proceeding with a limited self-handling pilot proposal, to deal with all low value, self-represented non-injury Public Liability claims in house within the 2016/17 financial year. This is expected to equate to around 149 claims and will produce a contractual saving of around £17,500. It is expected that these claims will be managed within existing Risk & Insurance Team resources. This limited insourcing proposal allows the trial of procedures, with limited risk and investment. This will inform consideration of the option of full potential insourcing as an element of the 2017 Casualty insurance tender.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Adoption of the limited self-handling of Liability claims referred to in paragraph 3.2.11 will result in a saving of £17,500 in 2016/17.
- 4.2 Changes to the service offered to Academies referred to in paragraph 3.2.7 could result in lower income. This has been taken into account in producing the Insurance Fund Budget for 2016/17.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 The adoption of limited self-handling of Liability claims will result in some additional work for the Risk and Insurance team.

7.0 RELEVANT RISKS

- 7.1 The continuing improvement of the risk management framework and the implementation of more effective processes will help to improve the ability to handle risk across the organisation.
- 7.2 As indicated in paragraph 3.2.9 adoption of the new approach to calculating reserves on Liability claims could have some impact on responses to the Casualty insurance tender to be held in 2016/17.
- 7.3. The move to limited self-handling of Liability claims referred to in paragraph 3.2.11 brings with it a number of operational risks. These include failure to implement systems and processes in time, maintaining continuity of the activity and exposure of the team to aggression from disgruntled claimants. Action is being taken to mitigate these risks to an acceptable level.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 No specific consultation has been undertaken with regard to this report.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

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APPENDICES

None

REFERENCE MATERIAL

Correspondence with insurers, brokers and legal services providers

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	24 November 2015
Corporate Risk & Insurance Management	22 September 2015
Corporate Risk & Insurance Management	8 June 2015
Corporate Risk & Insurance Management	18 March 2015