



Audit and Risk Management Committee
Monday, 13 June 2016

REPORT TITLE:	MANAGEMENT OF INSURANCE AND CORPORATE RISK
REPORT OF:	Head of Financial Services

REPORT SUMMARY

This report sets progress made since my previous report in March 2016 in relation to key actions planned for 2016/17.

RECOMMENDATION/S

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 framework 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 2016/17 were included in the report to this Committee on 15 March 2016. Progress made since that report in respect of those actions is summarised in the paragraphs below.

3.2.1 Crime Insurance

The Council's insurers have indicated that a premium increase of approximately £12,000 (30%) would be required to convert the existing Fidelity Guarantee policy to a Crime policy. The increased cost would be offset from savings made on other parts of the insurance programme. I consider that the additional premium would represent good value because of the much wider cover that would be provided. Detailed information on the risk is currently being compiled to enable insurers to confirm that the actual premium will be the sum which they have previously indicated.

3.2.2 Risk Appetite

Proposals to create a practical statement of the leadership's appetite for risks associated with the Wirral Plan have been developed. These will be put to joint session of Cabinet and the Strategic Leadership Team.

3.2.3 Corporate Insurance Budget

The Insurance Fund Annual Review is the subject of a separate report to this meeting.

3.2.4 Corporate Risk Management Policy

The annual Internal Audit report on the risk management framework has made a number of recommendations for improvement. These will be taken into account in updating the Policy. Changes to other areas of governance such as the new Operating Model and the revised Transformation Programme also need to be taken into account. As such I expect to present the revised policy to the September 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 Officer continues to work with colleagues from the Performance & Scrutiny and Change teams to develop risk management arrangements for pledge strategies, transformation projects and business plans. Arrangements to include information on key risks into revised performance reports for executive leaders, Members and the wider Wirral partnership are also in development.

3.2.7 Traded Service for Schools and Academies

The authority's risk and insurance service for schools remains popular with almost all schools buying back the service in 2016/17. The vast majority of existing academy clients have also confirmed that they wish to continue with the authority's service when their existing long term agreements end in August. My officers have been making plans to retain as clients schools which convert to Academies as a result of the Government's recent white paper. However conversions could have an impact on contributions to the Insurance Fund in the current year. This is because academies cannot be covered under the Council's corporate insurance programme and those schools which convert part way through the year may be due a refund of part of their charges. Amendments will be made to insurance fund contributions to offset budget implications from these part year conversions.

3.2.8 MMI Scheme of Arrangement

In April Municipal Mutual Insurance (MMI) advised that following a further review of the company's assets and liabilities it was increasing the levy from 15% to 25%. This has resulted in the Council making a further payment of £49,805 which has been met in full from existing earmarked reserves. The Council's remaining exposure under the scheme continues to be fully reserved.

3.2.9 Policy Renewals – April 2016

Terms for all policies renewable on 1 April were agreed with insurers prior to expiry of the 2015/16 policy period. All were within budget with exception of the premium for Engineering which was 1.92% (£2,093) greater. The renewal premium for Computer insurance was 12% (£1,950) greater than the estimate because of increased sums insured for Reinstatement of Data and Increased Cost of Working to support new arrangements for ICT service continuity. However a reduction in Liability claims handling fees because of the introduction of limited self-handling mean that overall the cost of policies renewed in April will be slightly less than the budget.

3.2.10 Policy Renewals – June 2016

Information required by insurers to enable them to provide terms for the renewal of the Council's Property, Terrorism, Business Interruption, Computer, Museums and Personal Accident insurance policies is currently being collated. Premiums will be agreed prior to renewal on 30 June to ensure continuity of cover. I intend to exercise options to extend the Long Term Agreements on these contracts to 2018 and have obtained authority for this action from the Head of Procurement.

3.2.11 Request for Quotations – Broking Service

The existing contract for insurance broking services ends on 29 June. In view of the relatively low value in the contract I decided to request quotations from three public sector insurance broking specialists. The contract will be for a minimum of 3 years in which period all of the Council's major insurance contracts will need to be remarketed. Responses were received on 24 May and have been evaluated on price and quality by a panel from the Risk and Insurance team. Whilst the outcome from the evaluation is clear and satisfactory, due to procurement process constraints, at the time of writing I cannot disclose the final result. The cost of the service will however be within the sum allowed for with the 2016/17 budget.

3.2.12 Claims Handling Changes

The move to managing low value liability claims "in house" commenced on 1st April. This change has coincided with an unprecedented but most welcome, fall in the number of new claims received. The claims management process will evolve with experience. But on the limited number of claims received to date the procedures in place have worked well. I envisage no significant problems arising from this pilot and the full savings should be realised as the additional work will be absorbed within existing resources.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Adoption of the limited self-handling of Liability claims referred to in paragraph 3.2.12 has resulted in a saving of £17,500 against the 2016/17 budget.

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 If a large number of schools were to convert to academies the pool of contributors to the Insurance Fund would decrease. Over time this could reduce the authority's buying power and the degree to which it could of self-insure. This in turn could increase the cost of financing insurable risk. My officers remain vigilant to potential conversions and will make changes to the authority's arrangements to ensure that potential negative impacts are gradual and limited wherever possible.

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 Corporate Risk & Insurance Management Corporate Risk & Insurance Management Corporate Risk & Insurance Management Corporate Risk & Insurance Management Corporate Risk & Insurance Management	15 March 2016 17 February 2016 24 November 2015 22 September 2015 8 June 2015