

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

17 SEPTEMBER 2014

SUBJECT	MANAGEMENT OF INSURANCE AND CORPORATE RISK
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2014/15 and highlights a decision which needs to be made. Progress made since June in relation to key actions planned for 2014/15 are also included.

2.0 BACKGROUND AND KEY ISSUES

2.1 Risk and insurance management comprises two significant areas of activity:

- One is the provision of advice and support to Members and officers in developing the corporate risk management framework and processes.
- The other is risk financing which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.

2.2 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 2014/15 were included in the report to this Committee on 18 March. Progress since June in respect of those actions is summarised in the paragraphs below.

2.2.1 **Annual renewal of Property All Risks Money Fidelity Guarantee and Personal Accident / Business Travel policies**

Terms for the renewal of all classes of business were agreed with the holding insurers. In respect of the Property policy there was an increase of £21,100 (10%) over 2013/14 costs. This was entirely due to growth in rebuilding costs. The All Risks premium fell by £45 (0.3%) and Money premium fell by £700 (10%). The Fidelity Guarantee and Personal Accident / Business Travel premiums were unchanged.

2.2.2 **Determine risk appetite**

Preparations have been made for two pieces of work to support further consideration of the Council's risk appetite later in the year. The first will address the Council's risk capacity and is expected to take place in September. The other will consider the Council's risk maturity and will draw on a national risk management benchmarking exercise.

2.2.3 Academy Schools insurance procurement

The Risk & Insurance team worked with existing Academy school clients to complete questionnaires ahead of the renewal of their policies on 1st September and terms for all schools have been agreed. Insurance quotations have also been obtained for Townfield Primary School ahead of its anticipated conversion to Academy status on 1 October. The Education Funding Agency has provided more information about its 'Risk Protection Arrangement' for Academy schools. However my officers consider that the existing insurance programmes put in place for Academies in Wirral continue to offer the best solution for those schools.

2.2.4 Review of Corporate Risk Register

A further report on the register was presented to the Chief Executive Strategy Group on 18 August. An update on progress with managing the corporate risks is the subject of a separate report to this meeting.

2.2.5 Future Council

A standard business case template for the options has been produced. The template is designed to draw out clear and concise information on the risks and benefits of the option proposed and how these would be addressed.

2.2.6 Develop training and guidance for Members and officers

Draft content for two E-learning courses one for staff and another for managers has been created. The Risk & Insurance and Organisational Development teams have begun to develop the courses with the aim of making them available by the end of December.

2.2.7 Consider options to extend the Computer Insurance and Civil Litigation contracts

These contracts both contain clauses giving the Council an option to extend them for 2 years from 1 April 2015. In respect of the Civil Litigation contracts the 'Jackson' reforms have resulted in the contracts format no longer being fit for purpose. As such it would not be appropriate to extend them and a procurement exercise will be held to identify suppliers for the period from 1 April 2015. As regards the Computer insurance contract it is recommended that the option to extend be taken up. The holding insurer's premium is a relatively modest sum (£14,750) and was 20% lower than its competitor. Furthermore claims have been dealt with promptly and satisfactory settlements obtained.

2.2.8 Consider options to extend the Casualty insurance contract

This contract, which covers liability risks, gives the Council an optional 2 year extension from 01 April 2015. Outline terms have just been received from the insurers that incorporate a proposed annual premium increase of £70,000 (40%) combined with a reduction of cover via a 50% increase in the self insured aggregate exposure to £3.75m. These changes are not reflective of the stable performance within the liability account.

The current contract was procured during a 'soft' phase of the liability insurance market. The market for local authority liability insurance is now much more difficult with only 2 key insurers. A procurement exercise could potentially result in an even greater premium and / or further reductions in cover. Officers are continuing to evaluate the benefits and risks of this extension and recommend that the ultimate decision to either tender or extend the existing contract should be taken by the Director of Resources and reported to the next committee.

If the option to extend is taken up it may be possible to contain this 2015 / 2016 premium increase without overall growth in the insurance fund budget by reductions in other contractual costs and reduced liability contributions to the insurance fund. Any reduction in the contribution to the insurance fund will however decrease confidence in the long term solvency of the fund. The 2015 / 2016 Insurance Fund budget report will be reported to Committee in Jan 2015.

2.2.9 Consider options for the administration of liability claims

Officers have completed the review into options for claims handling. 4 key alternatives have been identified and the risks and benefits for each have been considered;

- Maintain existing outsource and manage approach
- Fully outsource all decision making and administration
- Fully in source all elements
- Partially in source some further administration

The current approach has worked well but will not produce any saving. The fully outsourced approach is very likely to result in substantial additional claims costs and would therefore be counter productive. Following a thorough review officers believe that a move to a fully in sourced claims handling function would carry a great deal of financial risk for too little reward and further development of the option is therefore not recommended. However the final option of partial further in sourcing could be productive.

A concept has been developed that could utilise existing skills and resources with relatively limited risk exposure. This option would provide a contractual saving of around £30,000 pa (under current terms) at an investment of less than £7,500 pa. Whilst it was originally envisaged that this project may provide budget savings, given developments in the market it may now be necessary to implement the approach to partially offset the 2015 / 2016 contractual cost pressures noted above.

Extending the existing liability contract would provide a stable platform for the introduction of this project and this issue will therefore be a factor in the decision making process. Further detail of the claims handling option evaluation process is available upon request.

2.2.10 Local Government Association (LGA) / Cabinet Office Roundtable

The authority was invited to participate in a roundtable event on 17 July organised by the LGA and the Cabinet Office. The session was organised to

discuss the pressures on local authority insurance premiums and possible solutions. The official report from the session is currently awaited.

2.2.11 Alarm National Forum

Two officers from the Risk & Insurance team attended the Alarm National Forum held in Manchester in June. The Forum is the primary educational event for public sector risk managers. The sessions covered topics as diverse as opportunity risk management, risk behaviours, management of social care risks, cyber threats and risks associated with shared service models. The conference costs of the Senior Risk & Insurance Assistant were met directly by Alarm.

3.0 RELEVANT RISKS

- 3.1 The 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.
- 3.2 Mishandling of liability claims can result in substantial additional claims costs.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 4 options for claims handling arrangements have been considered;
 - Maintain existing arrangements
 - Fully outsource
 - Partially further in source
 - Fully in sourceAll options are detailed within a further report that is available upon request.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are no implications arising directly from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING AND ASSETS

- 8.1 The provision of support services to Academy schools is estimated to generate income of approximately £40,000 in 2014/15. This will also help to offset the Council's insurance administration costs which are ultimately recharged to users of the service.
- 8.2 The expected increases of £70,000 in liability insurance costs for the contract extension could be partially offset with savings from revised claims handling arrangements. Officers will investigate methods for containing any residual balance within existing budgets. The alternative tender process for this contract would carry financial and cover uncertainty.

- 8.3 The partial in sourcing of claims would necessitate a small adjustment in staffing arrangements.
- 8.4 The existing claims management software is scheduled for an upgrade and this process would be brought forward to facilitate the claims process. This process would be managed by the software providers and would not necessitate significant internal IT involvement.

9.0 LEGAL IMPLICATIONS

- 9.1 There are no specific implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

- 10.1 There are no implications arising directly from this report.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

- 11.1 There are no implications arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 12.1 There are no implications arising directly from this report.

13.0 RECOMMENDATION

- 13.1 That the content of this report be noted.
- 13.2 That the decisions on extension of the existing liability contracts and proposed amendments to claims handling processes be delegated to the Director of Resources.

14.0 REASON FOR RECOMMENDATION

- 14.1 Regular update reports are presented to this Committee on the work around Risk and Insurance which seek to support the Risk Management Policy and maintain the successful management of the Insurance Fund.
- 14.2 Insufficient information is available to make an informed decision on the contract extension at this point. If a full tender is deemed to be required but the decision is not delegated then the scheduling of the next committee will not provide sufficient time to implement an appropriate procurement project.

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BACKGROUND PAPERS/REFERENCE MATERIAL

Correspondence with insurers and insurance brokers
Draft report into claims handling options and appendices
Documentation from ALARM National Forum
Report of the Risk and Insurance Officer (Corporate Risk Register) – 14 August 2014

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	23 June 2014
Corporate Risk & Insurance Management	18 March 2014
Corporate Risk & Insurance Management	January 2014
Corporate Risk & Insurance Management	25 November 2013
Corporate Risk & Insurance Management	18 September 2013