



Audit and Risk Management Committee
Monday, 26 September 2016

REPORT TITLE:	MANAGEMENT OF INSURANCE AND CORPORATE RISK
REPORT OF:	Section 151 Officer/ Head of Financial Services

REPORT SUMMARY

This report sets progress made since my previous report in June 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 my last report in respect of those actions is summarised in the paragraphs below.

3.2.1 Crime Insurance

Insurers did not provide terms for the wider Crime Insurance policy by 30 June. So to protect the Council's position my officers extended the existing Fidelity Guarantee insurance policy. Insurers subsequently confirmed that the premium required would be lower than originally indicated. These terms were agreed and the Crime insurance was therefore effected and the cover backdated to 30 June the original inception date.

3.2.2 Corporate Risk Management Policy

A refreshed Corporate Risk Management Policy is the subject of a separate report to this meeting.

3.2.3 Corporate Risk Register

A review of the Corporate Risk Register was undertaken by the Strategic Leadership Team on 16 August. The register is the subject of a separate report to this meeting.

3.2.4 Alignment of Risk Management and Performance Management

Risk management arrangements have been developed for Wirral Plan Pledge strategies and will be communicated to Strategy Delivery Groups in meetings over the coming weeks. Arrangements for the management of risks to service plans and to the Transformation Programme have been updated. These changes are reflected in the draft Risk Management Policy.

3.2.5 Traded Service for Schools and Academies

Risk and Insurance services remain a key element of traded services for schools and my officers are participating in corporate plans for the development of services for 2017/18 and beyond. All potential conversions continue to be monitored closely and my officers make early contact with schools make them aware of the tailored service that that the Council can offer in this area. Ahead of the expiry of the existing Long Term Agreements with academies there has been significant work in devising new tailored insurance programmes for each establishment and negotiating optimum covers and premiums with insurers. With effect from 1 September 2016 new Long Term Agreements are in place with academy clients.

3.2.6 Policy Renewals – June 2016

Terms for the renewal of the Council's Property, Terrorism, Business Interruption, Computer, Museums and Personal Accident insurance policies were received in mid-June. No changes to premium rates or cover were proposed by insurers and their terms were agreed prior to the expiry of the existing contracts to ensure continuity of cover. The actual premiums for these contracts will be approximately £6,800 (2.3%) lower than had been estimated.

3.2.7 Tender for Casualty and Computer Insurance

The existing Long Term Agreements with insurers in respect of both of the above contracts expire on 31 March 2017. As such a procurement exercise will be held to select providers for 2017/18 onwards. The tender for Casualty insurance and associated claims handling is the largest and most complex of all the Council's insurance procurement exercises and the procurement project will therefore utilise a large proportion of team capacity over the next 6 months. The quality of both policy wording and claims handling services can have a significant impact on the total cost of liability risk to which the Council is exposed. The Risk and Insurance team has met with both the Council's brokers and the Corporate Procurement team to begin to plan the exercise and develop the Invitation to Tender (ITT) pack. Pre tender meetings have also been held with all likely bidders for this contract to establish interest and competition for the contract in what is a difficult market. It is anticipated that the ITT will be issued in at the end of October for return in mid-December. This will allow the Council to make awards in January 2017 to allow sufficient time to implement the new contracts from 1 April 2017.

3.2.8 Request for Quotations – Broking Service

The submission from the existing provider JLT Speciality Limited received the highest scores for both price and quality. The experience with this supplier has also been positive over the previous contract period. As such the company was re-appointed for a further minimum 3 year period but at a lower annual cost than applied under the previous contract.

3.2.9 Claims Handling Changes

The number of new Liability claims reported remains at a historic low level. This has meant that the additional work resulting from the in-sourcing of claims for property damage can be managed within the existing capacity of the team.

4.0 FINANCIAL IMPLICATIONS

4.1 As indicated in paragraph 3.2.6 premiums for policies renewed in June 2016 are £6,800 lower than had been estimated.

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 is resulting 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 self-insure. This in turn could increase the cost of financing insurable risk. As indicated in paragraph 3.2.5 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.

7.3 Risks associated with the capacity of key personnel will be higher during the crucial period of remarketing the Casualty contracts.

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

N/A

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Corporate Risk & Insurance Management	13 June 2016
Corporate Risk & Insurance Management	15 March 2016
Corporate Risk & Insurance Management	17 February 2016
Corporate Risk & Insurance Management	24 November 2015
Corporate Risk & Insurance Management	22 September 2015