

Appendix C – Risk Analysis 2016-17

Rationale of risks insured and level of cover / exposure 2016-17

This schedule outlines insurance cover arranged through external insurance providers and that being underwritten internally by the insurance provision and/or charges to services.

External cover is often limited in operation, and where this is the case the schedule provides detail of this cover as well as identifying the level of potential uninsured risk faced by the Council.

Limits of indemnity and aggregate protection can be set by market practice and affordability of cover when measured against the risk, including deliberate non-insurance (i.e. selecting not to take any external insurance). In the latter instances, the schedule provides a commentary to support the recommended position.

There are four classes of insurance – Liability, Motor, Property and Miscellaneous.

The schedule refers to “Cross Class Aggregate Protection” (CCAP). This means the council will meet the cost of claims up to the level of the excess for each claim until an agreed accumulated sum, after which the external insurer will pay all further claims without further deduction of an excess.

Class & Risk	Explanation	Exposure
LIABILITY		
Public (Third Party) and Employers Liability to £50m any one claim subject to £100k excess each and every claim	Whilst the council must self-fund the first £100,000 of every claim, our annual exposure is limited by the CCAP (which includes payments made by way of excess under Officials Indemnity and Libel and Slander) of £3.0m per annum.	The council’s potential exposure is an event incurring a loss over the limit of indemnity of £50m. This level is in accord with many Local Authorities.

Class & Risk	Explanation	Exposure
<p>Officials Indemnity (Third Party Financial Loss) to £10m any one claim subject to £100k excess each and every claim</p>	<p>Whilst the internal provision will meet the first £100,000 (excess) of every claim, the annual exposure is limited by the CCAP (which includes payments made by way of excess under Public and Employers Liability and Libel and Slander) of £3.0m per annum.</p>	<p>The council's potential exposure is an amount over the limit of indemnity of £10m. Claims experience in this class of insurance within local government is low and claims rarely exceed £100,000.</p>
<p>Professional Negligence to £5m any one claim subject to £2,500 excess each and every claim</p>	<p>The internal provision will meet the first £2,500 (excess) of every claim.</p>	<p>The council's potential exposure is an amount over the limit of indemnity of £5m or a significant number of individual claims at the excess level. Claims experience in this class of insurance within local government is virtually nil.</p>
<p>Tree Root Subsidence – cover £1m in excess of £2m paid in any one year</p>	<p>The council self funds the risk of third party property damage caused by Tree Root Subsidence but caps our exposure at a maximum of £2m in any one year. Whilst claims experience shows an improvement over the last 5 years or so, there are some uncontrollable factors which can influence this risk eg climate and weather patterns.</p>	<p>Having met the first £2m of claims from internal arrangements, the exposure can be stated as any additional payments in excess of accumulative total payments of £3m in any one financial year. Whilst payments in an incident year may significantly increase from current experience they are not anticipated to ever exceed £3m.</p>
<p>Third Party Hirers Cover - £5m Subject to a £250 Excess</p>	<p>External cover provides indemnity for hirers of educational premises against risks of accidental injury and accidental damage to the premises or contents during the period of hire.</p>	<p>The council's potential exposure is any claim which exceeds the limit of indemnity of £5m. This is not anticipated.</p>

Class & Risk	Explanation	Exposure
<p>Libel or Slander Cover £5M any one claim subject to £100k excess each and every claim</p>	<p>Whilst the internal provision will meet the first £100,000 (excess) of every claim, the annual exposure is limited by the CCAP (which includes payments made by way of excess under Public and Employers Liability and Officials Indemnity) of £3.0m per annum.</p>	<p>The council's potential exposure is an amount over the limit of indemnity of £5m. Claims experience in this class of insurance within local government is low and claims rarely exceed £100,000.</p>
<p>Legal Expenses</p>	<p>Legal costs arising from insured losses is included above however further legal expenses insurance is available to cover matters such as disputes arising out of the provision of goods or services, employment matters, un-insured loss recovery etc. The council elects to use in-house services and fund this from general indemnity contingency.</p>	<p>The Council has established a litigation reserve to meet the costs of significant actions against the authority.</p>

Class & Risk	Explanation	Exposure
MOTOR		
Comprehensive subject to £50k excess each and every claim	External cover includes unlimited liability in respect of 'third party bodily injury or death'. Limit for third party property damage arising from the use of commercial vehicles of £20m.	Whist cover in excess of £20m is available the risk of a council vehicle causing damage in excess of £20m is deemed to be negligible.

Class & Risk	Explanation	Exposure
PROPERTY		
Main Fire Policy eg offices, libraries, Housing high rise, parks pavilions etc	The Council currently insures main property against damage by 'catastrophe perils' consisting only of fire, lightning, explosion, aircraft or terrorism. Historical claims experience has supported the decision not to insure for additional perils e.g. burst pipes, storm or flood. The cost of the premium would far exceed the value of damage sustained in any one year.	Cover for insured losses is determined by the value at risk (sum insured) accordingly provided all properties have been identified there is no additional risk. However, as damage to properties by other risks is not insured, the potential uninsured loss is up to the maximum value of the damaged building(s). At each property insurance tender, or in between if the risk warrants a more frequent review, we will seek quotations to include full perils and evaluate the cost against the risk/exposure.
Schools, Commercially Let Property and Leasehold Buildings	All schools must arrange insurance on a full commercial perils basis up to the full reinstatement value of the building. Commercial let property and leasehold buildings are insured by the council under the terms of the lease on a full reinstatement basis against the usual range of perils available for these classes.	<p>No additional exposure however it should be noted that reinstatement cover will only fund the replacement of the damaged building on a 'like for like' basis. Given the current age and construction of many of our properties, it is likely that the Council will elect to replace on a completely different basis. Additional costs of this option are not insured and must be funded from other sources.</p> <p>Under schools fair funding arrangements schools may make alternative arrangements for compulsory buildings cover. Currently 88 schools choose to make arrangements via the LEA. The remainder are periodically asked to submit evidence of cover to establish that it satisfies our minimum requirement.</p> <p>Where responsibility rests with the tenant/lessee in commercial properties appropriate checks are in place to ensure cover is arranged to a satisfactory level.</p>

Class & Risk	Explanation	Exposure
Housing Stock	Fire damage in low-rise council stock has only once exceeded the £750,000 excess once in the last 10 years (Garth House settled at £840k in 2008). Aggregate losses in the last 10 years has not exceeded £1m (2008 including Garth House). The estimated maximum annual loss has been calculated as £5m accordingly annual aggregate cover has been arranged externally to provide protection above this figure.	No additional exposure.

Class & Risk	Explanation	Exposure
MISCELLANEOUS		
Theft and All Risks	The insurance provision pays services for the loss of contents by theft (forced entry or exit from a locked building) and against “walk in theft” or accidental loss/damage of specified types of equipment. Both covers are provided up to the value of the contents.	Despite a significantly high value at risk, it is not possible for the Council to lose all contents by either of these two causes in one year and claims experience supports the decision to continue to self-fund losses of this nature.
Court of Protection Properties	The Council currently insures these properties on a standard House Owners policy, usual exclusions apply in respect of vacant properties. The risk is subject to a £500 excess met by the estate.	No additional exposure.
Civic Regalia	External cover up to specified sum insured, subject to a £1,000 excess met by the service	No additional exposure.
School journey and official travel	Various benefits and limits apply across the various subsections of the travel policies.	Cover exceeds market practice in this area. Limits and levels are regularly reviewed to provide satisfactory cover.
Personal Accident – Members, Employees, Volunteers & School Governors	<p>Cover is provided for Members or staff who suffer a permanent injury whilst carry out their duties.</p> <p>Employees cover is calculated using a sliding scale applied to salary. This cover is in line with the injury allowance scheme of the NJC for Local Government.</p> <p>Members cover is also calculated using a sliding scale but applied to a base sum of £100,000.</p> <p>School Governors and Volunteers cover is calculated using a sliding scale but applied to a base sum of £50,000.</p>	The level of cover arranged is in accordance with market practice.

Class & Risk	Explanation	Exposure
Crime	Cover includes any loss of council assets arising from any act of fraud or dishonesty by a third party or by employees. Losses following theft of cash or stock by employees are rare. The Chief Finance Officer will periodically review the estimated maximum risk to the council. Currently this is set at £10m any one year.	One single loss or a series of losses in excess of £10m any one year. Taking existing security processes into account this level of risk is considered acceptable. Also a significant element of financial risk is currently transferred to Capita under the CSG contract where full indemnities apply in support of losses arising from fraud.
Money	Estimated maximum cash holding is £100k so this is the insured level. No excess is taken given the extremely low premium charged for this cover.	Any sums lost during a theft in excess of £100k
Engineering	Cover arranged externally up to the value of plant, equipment and machinery.	No additional exposure.