

Oxford City Council Insurance Strategy

1. Aims and Objectives

The Council is committed to ensuring that it maintains an optimum balance between internal and external insurance within a framework of prudent financial management.

In determining the balance between internal and external insurance the Council will seek to

- Insure risks internally where it is financially prudent and advantageous to do so
- Purchase external insurance or arrange cover through an alternative risk transfer arrangement
 - where required by statute
 - to cover catastrophic events
 - limit the financial exposure of the Council to the cumulative effect of multiple small losses
 - where there is a requirement to insure e.g. under the terms of a contract or lease, and the third party insists that external insurance be purchased
- Ensure that the internal funding is adequate to meet the claims that it will be required to pay
- Maintain an adequate insurance reserve
- Maintain an actuarially assessed insurance provision

2. Framework

The following framework details how the Council will achieve its aims and objectives.

2.1 Approach to Risk Financing and Insurance

Insurance is a financial mechanism through which an individual or organisation can transfer an unknown potential liability into the certainty of a smaller but fixed annual cost. By combining a large number of exposures into a group, the insurer can predict the probability of loss relating to uncertain events with a reasonable degree of accuracy for the group as a whole. With large organisations, such as the City Council, combining large numbers of potential exposures allows for an insurance based on a balance of risk of loss over the whole group so that the cost of the premiums can be spread across the organisation.

The Council follows the approach of self-funding some insurable losses by setting the excess levels at an appropriate level and using commercial insurance where there are compulsory requirements or where it has been deemed that it is more appropriate to do so, particularly to provide a cap to its financial liabilities in respect of third party liability claims. Excess levels are set during each tender process and,

exceptionally, at annual renewal by looking at the relative cost of premiums and projected excess costs for each excess level. The City Council's insurance arrangements are therefore a mixture of self-insurance and commercially purchased insurance, with decisions on the balance between the two based on an assessment of relative cost and risk.

2.2 Insurance cover

The Council obtains insurance for the following risk areas:

- **Property**
 - Material Damage – Policy Excess £100k
 - Works In Progress – Policy Excess Nil
 - Business Interruption – Policy Excess £100k
 - All Risks – Policy Excess Varies £100 - £250
- **Casualty**
 - Public Liability – Policy Excess £50k
 - Officials Indemnity – Policy Excess £50k
 - Employers' Liability – Policy Excess £10k
 - Libel & Slander – Policy Excess £50k
 - Professional Negligence & Indemnity – Policy Excess £5k
- **Motor – Policy Excess Nil**
- **Additional Covers**
 - Fidelity Guarantee – Policy Excess £10k
 - Land Charges – Policy Excess £50k
 - Personal Accident – Policy Excess Nil
 - Public Health Act – Policy Excess Nil
 - Business Travel – Policy Excess Nil
 - Computers – Policy Excess Varies £100 - £500
 - Hirers Liability- Policy Excess £250
 - Terrorism – Policy Excess Nil
 - Property Owners – Policy Excess £500

2.3 Obtaining Insurance

The main aim when procuring an external insurance policy is to obtain the broadest cover at the most economically advantageous terms available.

For those risks that the Council has decided to insure against, insurance policies have been purchased in accordance with the Council's procurement guidance.

The Council selects insurers for the Council and its Group using a competitive tender process.

2.4 Zurich Municipal Insurance (ZM)

ZM are the principle provider of insurance to the public sector. The company is a direct provider and will not quote through the client's brokers. Were the Council to use a broker process, ZM's approach would complicate the tender process but as they are such a significant provider to the sector, the Council would not want to exclude them. Managing the tender process in-house therefore allows easy inclusion of ZM.

The Council's officers evaluate ZM's quotations alongside the submissions from other insurers.

2.5 Insurance Period

The Council renews its insurance annually with the insurance period running from 1st January to 31st December each year.

2.6 Procurement

Insurance or other forms of alternative risk transfer will be procured in accordance with the external regulatory requirements applying at the time and the Council's Financial Regulations. The procurement process will be handled in-house by the Financial Accounting Team and the Procurement Team. The Council will tender for insurance on a 3 year contract but with the option to extend for 2 further years.

3. Financial Management

3.1 Premiums and Excesses

Premiums and excesses are charged to holding accounts and then are allocated each financial year across service areas based on a combination of the basis of insurance (i.e. building values for property premiums) and the claims history for the service area. This process applies to the Council and to insurance premiums and excesses relating to Oxford Direct Services Limited.

Oxford City Housing Limited and Oxwed LLP hold their own insurance cover which is arranged by the Council on their behalf and to the levels that they require. All costs related to this are charged directly to the entities concerned.

3.2 Insurance Fund

The Council's Insurance Fund is a combination of an Insurance Reserve and an Insurance Provision. The value held in these is determined through an actuarial review of the Council's current claims and claims history which is renewed every few years.

3.3 Insurance Provision

The Council's Insurance Provision has been established to make a financial allowance for the aggregate level of the assessed cost of unsettled current claims. Each claim that has been notified by the Council has a settlement value which has been assessed by the Council's insurer. It is this value that is used to calculate the level to be held in the provision, adjusted as deemed appropriate by the actuary.

3.4 Insurance Reserve

The Council's Insurance Reserve provides a financial allowance for the actuarially assessed cost of claims for which, based on the Council's claims history, the incident relating to the claim has occurred but where the Council has not yet received notification of the claim. The value to be placed in the reserve is assessed by an actuary who provides a risk based assessment of the potential financial impact.

3.5 Compliance with Accounting Standards

These arrangements meet the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) prepared by CIPFA / LASAAC. The definition, within the Code of a Provision is:

"A liability of uncertain timing or amount.

A provision shall be recognised when:

- An authority has a present obligation (legal or constructive) as a result of a past event
- It is possible that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and
- A reliable estimate can be made of the amount of the obligation."

An Insurance Reserve is "an earmarked reserve, accounted for separately, but remaining legally part of the General Fund, consisting of "sums held to meet potential and contingent liabilities". The Council's Insurance Reserve sits within the General Fund and within it, the amounts relating to the Housing Revenue Account (HRA) are identified within the overall amount to maintain the ring-fence of the HRA.

4. Claims Handling

4.1 Insurance and Risk Officer

The Insurance and Risk Officer manages the Council's and Companies overall Insurance programs. Reviews insurance needs by identifying risk exposures and

analysing and classifying risks to provide optimum coverage, costs and claims settlements.

4.2 Council Departments and Group Companies

The Council Departments and Group Companies notify the Insurance & Risk Officer of potential claims and assist with providing information pertinent to the incident, such as training records, inspection records, cleaning regimes. This enables Zurich Municipal to make an informed decision as regards liability. Any assistance with insurance related queries or additional insurance cover required by the Council Departments and Group Companies are all requested via the Insurance & Risk Officer.

4.3 Zurich Municipal

Zurich Municipal is a leading provider of insurance and risk management solutions for the public sector.

Zurich Municipal provide a claims handling service for Casualty and Motor claims regardless of the applicable policy excess. Claims within the excess are funded by the Council's Imprest account, held with Zurich Municipal.

Zurich Municipal also provide Risk Management guidance to assist the Council develop good risk management procedures and systems, which in turn enables the Council to identify and prioritise risks, and take practical steps to manage them.

4.4 Solicitors

In the event legal assistance is required with the defence of a claim, Zurich Municipal appoint their panel solicitor to represent the Council. Weightmans are the preferred panel solicitor for the Council and they are appointed on all Casualty related cases.

5. Links with Risk Management

5.1 Insurance as a Tool

Insurance can be seen a risk management tool whereby unavoidable risks can be managed by converting some of the risk into an annual fee, the value of which is known. This is a form of risk transfer.

5.2 Risk Management to Reduce Costs

Conversely, good risk management processes and associated controls and checks can reduce insurance claims occurring and also, when claims are made, can be used to defend the Council against the claims.

6. Governance

The Council's Constitution states (section 18.6):

"The Head of Financial Services will be responsible for establishing adequate insurance cover for the Authority including the amount of excess and the extent to which self-insurance is undertaken.

Heads of Service must:

- assist in the annual review of insurance and advise the Head of Financial Services of changes in insurable risks
- process insurance claims in accordance with procedures laid down by the Head of Financial Services

The Insurance Provision and Reserve is maintained in accordance with accounting practices and the responsibility for doing this lies with the Head of Financial Services in respect to the requirement in paragraph 18.4 of in the Constitution to "comply with the Accounts and Audit Regulations for the time being in force".

7. Review

7.1 Annual

The levels of insurance excess will be considered for each annual insurance renewal, although there will normally not need to be any changes. A special focus will be on categories of insurance where the premium has varied significantly between years to see if different insurance terms are more financially acceptable. Often a change is the effect of market conditions however and so the review rarely results in a change in insurance terms.

At each annual insurance renewal, updated values are obtained for all properties, vehicles, assets, wages, works in progress, planned projects, etc. from Heads of Service and Personnel throughout the Council and Companies.

7.2 Insurance Strategy Document

This document will be renewed prior to each tender process.