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| Committee<br><b>Performance and Resource Management Sub (Police)</b> | Dated:<br><b>31 May 2016</b> |
| Subject: <b>Insurance Claims and Costs</b>                           | <b>Public</b>                |
| Report of: <b>The Chamberlain</b>                                    | <b>For Information</b>       |
| Report author: <b>Stephen Telling</b>                                |                              |

### Summary

Following an Internal Audit review of insurance claims relating to the City of London Police, further information was requested on claims history and the costs being borne by the Police budget. This report indicates that:

- based on the six year period 2010/11 to 2015/16 the average annual costs for liability (public, employers, professional indemnity, libel and slander) and motor claims are £125,000 and £85,000 respectively when analysed by date of occurrence, with the average annual number of claims being 17 and 100 respectively. Over this same period the trend in the annual costs of both liability and motor claims is downwards;
- the average annual charges made to the Police revenue budget for excesses and premiums are £352,000 and £97,000 for liability and motor claims respectively. There is also a downward trend in these charges over the period reflecting the improving claims experience;
- since 2012 policy excesses for any one claim have been £1m and £50,000 for liability and motor respectively. Most claims are therefore settled below the excesses and, consequently, there is a large element of self-insurance, with the policies providing cover for the more significant or catastrophic claims;
- the costs of excesses and premiums for liability claims/risks are apportioned across the City Corporation's various activities (Police and Non-Police) on the basis of employee numbers so that no one activity bears the cost of exceptional claims in any given year. The claims history of the City Police will not therefore have a direct bearing on the charges it receives; and
- excesses and premiums for motor claims/risks are separately identified for the City Police and therefore any measures that the City Police can introduce, or improve, to reduce claims should result in lower charges against the Police revenue budget.

### Recommendation

Members are asked to note the report.

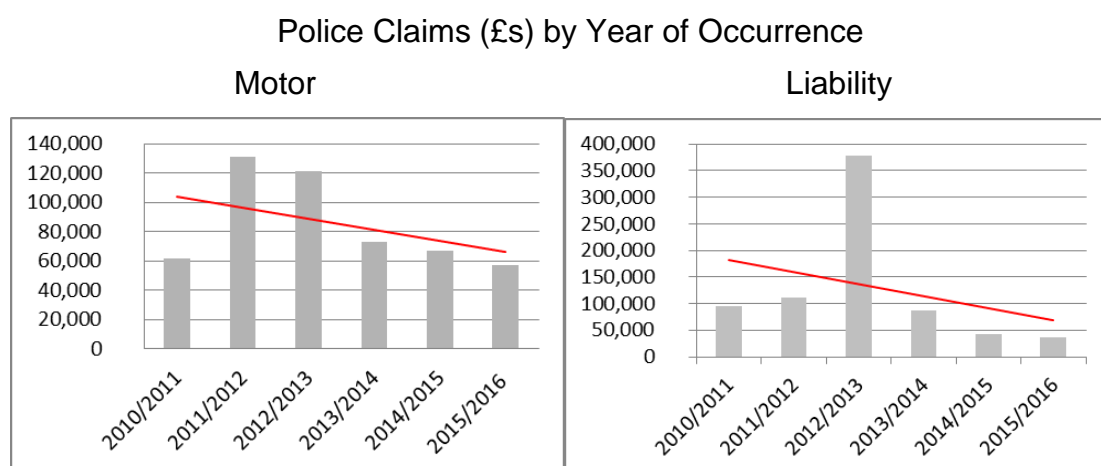
## Main Report

### Background

1. Following the consideration of a report from the Head of Internal Audit and Risk Management on 'City of London Police Claims (Civil Claims (including Motor Claims) and Claims for Judicial Review)' at the Sub-Committee meeting on 8 December, additional information was requested on insurance claims history and costs being borne by the Police budget.

### Police Insurance Claims History

2. Appendices 1 and 2 summarise insurance 'liability' claims (public, employers, professional indemnity and libel and slander) and 'motor' claims respectively for the years 2010/11 to 2015/16 (as at 28 February 2016). The insurance database enables claims to be analysed in different ways and each of the appendices includes financial tables and bar charts (with trend lines) based on:
  - date of occurrence (average of 17 annual liability claims costing £125,000 a year, and an average of 100 annual motor claims costing £85,000 a year);
  - date of notification (average of 18 annual liability claims costing £153,000 a year, and an average of 101 annual motor claims costing £86,000 a year); and
  - solely by payments made (annual averages of £225,000 and £93,000 for liability and motor claims respectively).
3. For both types of risks there is a downward trend in the cost of claims when analysed by date of occurrence and date of notification. Graphs for the former are set out below whilst those relating to notification date are included in the appendices - but follow a similar trend.

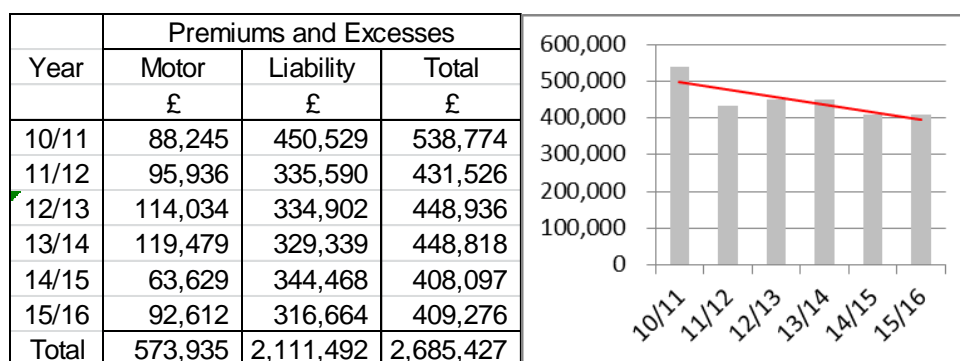


4. In contrast, the trend is upwards when costs are analysed solely by the annual payments made in each financial year. However, this is not a like for like comparison with the analyses by date of occurrence/notification as some of the payments relate to claims that occurred before the start of the 2010/11 reference

period. Although an estimated reserve is placed against each claim in the insurance system, the City's general accounting practice is to recognise the cost of claims as they are settled.

## Amounts Charged to the City Police

5. For liability insurance the City Corporation holds corporate policies. For motor insurance there is one policy but, because Police vehicles are less attractive to the insurance market, the current insurer Zurich Municipal applies differential rates. The insurance premiums are paid at the beginning of the policy year but the claims relating to those policies may be notified and/or settled many years later.
6. Since 2012 policy excesses for any one claim have been £1m and £50,000 for liability and motor respectively. Most claims are therefore settled below the excesses and, consequently, the costs are borne directly by the City Corporation/City Police rather than by insurers. Consequently, there is a large element of self-insurance, with the policies providing cover for the more significant or catastrophic claims.
7. The costs of settling liability claims that are below the policy excesses are initially charged to a central account. This account also initially pays for the cost of premiums for corporate liability policies (i.e. cover for claims above the excesses). These costs are then apportioned across the City Corporation's various activities (Police and Non-Police) on the basis of employee numbers. This sharing of risks and costs is common practice in large organisations so that no one activity bears the cost of exceptional claims in any given year.
8. With motor risks, the insurer bills the premiums separately for Police and Non-Police. Consequently, the Police element is charged directly to the Police. The cost of repairing damage to Police vehicles and third party claims is also charged directly to the Police (i.e. for costs below the policy excesses).
9. The table below sets out the premiums and excesses charged to the Police account.



10. The downward trend is consistent with the cost of claims when analysed by date of occurrence and date of notification as set out in paragraph 3 above. It indicates that any measures the City Police can introduce, or improve, to reduce claims should result in lower charges against the Police revenue budget.

**Appendices**

- Appendix 1 - Analysis of liability claims
- Appendix 2 - Analysis of motor claims

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