

REPORT TO: FINANCE COMMITTEE - 10 MARCH 2003

REPORT ON: 2003/04 INSURANCE AND RISK MANAGEMENT PROGRAMME

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 247-2003

1 PURPOSE OF REPORT

This report provides an overview of the proposed insured/self-insured and risk management arrangements for the financial year 2003/2004.

2 RECOMMENDATIONS

It is recommended that the Committee:

- approves the Insurance programme, self-funding and claims handling procedures for the 2003/2004 financial year as detailed in this report.

3 FINANCIAL IMPLICATIONS

The financial implications of the 2003/2004 insured and self-insured programme are set out below:

| Class of Insurance | Insurers | Net Premium £ | Insurance Fund Deposit for Self-Insured Losses £ | Estimated Total Cost £ |
|---------------------------|--------------------|--------------------------|---|---------------------------------------|
| Property | Zurich Municipal | 1,275,000 | 900,000 | 2,175,000 |
| Liabilities | Zurich Municipal | 333,000 | 600,000 | 933,000 |
| Motor | Royal Sun Alliance | 100,000 | 200,000 | 300,000 |
| Accident Inspection | John Davidson | 5,000 | - | 5,000 |
| Personal Accident | AIG/Various | 40,000 | - | 40,000 |
| Miscellaneous | Various | 127,000 | - | 127,000 |
| Broker Fees | Willis | 5,000 | - | 5,000 |
| Risk Management | - | - | 150,000 | 150,000 |
| | | <u>1,885,000</u> | <u>1,850,000</u> | <u>3,735,000</u> |

The net effect of the foregoing will be that the 2003/2004 insurance and risk management programme has been negotiated within the provision contained in the approved 2003/2004 Revenue Budget.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

This has been a particularly difficult renewal exercise. Elected members will be aware of the massive escalation of insurance costs for all sectors of society by way of the coverage on national news programmes.

Whilst the cost of cover remains significant, it is a measure of our Insurer's positive view of the City Council's approach to Risk Management that the overall increase in the cost of our programme is less than 10% compared to 2002/2003.

Existing long-term insurance agreements expire on 31 March 2004. Given the significant self insurance levels the Council operates with it may be that, in future years, alternatives to "traditional" insurance will serve the Authority better.

The Council's Risk Manager will research such alternatives in advance of the 2004 renewal.

7 RISK MANAGEMENT

Great reliance on existing risk management activity was successful in restricting the increased cost of cover at this year's renewal.

The main area of activity for the forthcoming year will be the assimilation of strategic and operational risk assessments to satisfy Corporate Governance and External Auditor requirements.

DAVID K DORWARD
DIRECTOR OF FINANCE

26 FEBRUARY 2003

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.