

FINANCE COMMITTEE - 15 APRIL 2002

REPORT ON: 2002/2003 INSURANCE AND RISK MANAGEMENT PROGRAMME

REPORT BY: DIRECTOR OF FINANCE

REPORT NO: 285-2002

1 PURPOSE OF THE REPORT

This report provides an overview of the proposed insured/self-insured and risk management arrangements for the financial year 2002/2003.

2 RECOMMENDATIONS

It is recommended that the Committee approves the Insurance programme, self-funding arrangements, claims handling procedures and risk management funding for the 2002/2003 financial year as detailed in this report.

3 FINANCIAL IMPLICATIONS

The financial implications of the 2002/2003 insured and self-insured programme are set out below:

Class of Insurance	Insurers	Net Premium £	Insurance Fund	Estimated Total Cost £
			Deposit for Self-Insured Losses £	
Property	Zurich Municipal	1,315,000	850,000	2,165,000
Liabilities	Zurich Municipal	222,675	500,000	722,675
Motor	Royal Sun Alliance	85,000	200,000	285,000
Accident Inspection	John Davidson	5,000	-	5,000
Personal Accident	AIG/Various	50,000	-	50,000
Miscellaneous	Various	135,406	-	135,406
Broker Fees	Willis	5,000	-	5,000
Risk Management	-	<u>120,000</u>	<u>-</u>	<u>120,000</u>
		<u>1,938,081</u>	<u>1,550,000</u>	<u>3,488,081</u>

The net effect of the above is a 2.5% (£65,000) increase in the provision contained within the approved 2002/2003 Revenue Budget. The increase can be contained within the Insurance Fund.

4 LOCAL AGENDA 21 IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

This year's insurance renewal negotiations have been dominated by difficulties in the insurance market.

The World Trade Centre attack will (by many multiples) be the single largest insured loss of all time. However, years of considerable under-pricing of insurance at a time when claims across all classes of cover continue to escalate reveals the true reason why the insurance industry finds itself having to radically raise the cost of insurance.

Local Authority premium increases of 25-30% over budget have been typical and in this regard the City Council has not fared as badly as some of its counterparts.

There is no immediate prospect of the cost of insurance falling to the artificially low levels enjoyed between 1996 to date.

Ultimately, control of costs will be better achieved by the City Council continuing to effectively manage risk.

DAVID K DORWARD
DIRECTOR OF FINANCE

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.