

Executive Report

Delegated Decisions - 14 January 2025

Liability Insurance Premium Renewals

Name of Cabinet Member	Councillor Lauren Townsend (Deputy Leader and Cabinet member for Finance and Customer Experience)
Report sponsor	Steve Richardson Director of Finance and Resources
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Exempt / confidential / not for publication	No
Council Plan reference	Not in Council Plan
Wards affected	All wards

Executive Summary

The Council is currently in year 3 of a 3+2 year agreement with Maven for liability insurance. The liability insurance was due for renewal on 1 October 2024, however existing cover was extended on the existing policy, due to delays in receiving renewal terms.

Initial terms were received on 1 November 24, where three options for deductible and premiums were presented. The premium with the level of deductible at MKCC current level was considerably higher than the prior year policy and was challenged. Revised terms were received on 3 December 2024, however whilst the premium was reduced, only a £250k deductible was offered. We requested that our Brokers seek terms based on the current deductible of £100k which were put into effect from 1 October 2024. This is consistent with the Delegated Decision when the original contract was awarded.

Due to the exceptional delays to the renewal process our Insurers have agreed to leave open the option to change the policy to the higher deductible of £250k, which would result in a saving on the premium for the remainder of the Insurance period (1 February 2025 – 30 September 2025). However, the Council would need to fund additional costs with new claims between £100k and £250k to benefit from this reduced premium.

1. Proposed Decision(s)

- 1.1 That the renewals position be noted and that the terms proposed; continuing with a deductible of £100k at a premium of £1,182,448 (£1,055,757 + tax), be agreed.

2. Reasons for the Decision?

- 2.1 The Council is required to have liability insurance which covers injuries to employees in the course of their employment, injury to others and property damaged in negligence.
- 2.2 Whilst the Council is already in an agreement with Maven to provide insurance, premiums are agreed on an annual basis. Insurance contracts are very often entered into on the basis of long-term agreements for two reasons, firstly to avoid the necessity to tender every year, and the policyholder accepts a discount on the premium in exchange for promising to renew each year as long as the terms are not altered significantly.
- 2.3 A decision is required to accept the terms, as the collective increase in premiums on all policies renewed on 1 October 2024 now exceeds £500k. No changes have been made to either the deductible or stop loss limits.

3. Background to the Decision

- 3.1 The liability insurance was due for renewal with Maven on 1 October 2024.
- 3.2 The majority of premium renewal prices were received in advance of the due date, however there was a delay in receiving terms for liability insurance and cover was extended until the end of October.
- 3.3 The terms were received on 1 November 2024 and constituted a significant break in the long-term agreement on both the premium and self-insured retentions. The terms were not considered as contract certain, but rather worst case. It was highlighted that there was some indication the claims data used was not accurate.
- 3.4 There were three deductible/premium options presented to MKCC together with analysis as to how the different excess and premium options might affect MKCC and the total cost of risk based on the most recent mature claims years. The premiums submitted indicated that to maintain a premium consistent with 23/24 prices that the deductible would need to increase from £100k to £500k.
- 3.5 A meeting was held with Maven to understand the reason for the delays in MKCC receiving the terms and why the premium had increased so significantly. It was stated by both sides that Zurich Municipal had been late in providing run-off claims data for their period of cover, and that the data they had provided seemed to be incorrect. Work was undertaken to correct the data, and revised terms were received from Maven on 3 December 2024 with a reduced premium based on a £250k deductible only. The insurer expressed reluctance in offering a £100k deductible option, however they provided improved terms for this option on 16 December 2024. These terms have been accepted to maintain cover, as no officer authority was in place to accept a higher deductible.

3.6 The premiums offered were:

- £100k deductible at a premium of £1,055,757 + Tax (aggregate £3.5m)
- £250k deductible at a premium of £760,945 + Tax (aggregate £3.5m)

As liability claims can be made many years after the incident occurred, the £100k deductible would need to apply from 1 October 2024 at the premium stated.

3.7 Work has been undertaken by Gallaghers, the Council's insurance brokers, to understand the reasoning behind the increase in deductible and if this is justified, together with how this compares to levels in other authorities.

3.8 Since 2017 The Council has been covered for the following:

- Employee and Public Liability – deductible of £100k with a cross class aggregate stop loss of £3m
- Property – deductible £50k with no aggregate stop loss

3.9 Insurers normally assess the performance of cover provided using loss ratios (insured claims divided by premiums), with ratios of 50-70% being considered profitable. Analysis of premiums and claims over the last 5 years showed a loss ratio of 119% on liability and 65% on property, indicating that cover would be considered unprofitable for insurers across the period. This was particularly affected by large claims in 2017/18 where the loss ratio was 432%.

3.10 The increase in premium is a result of continued deterioration in the claims experience, where we have seen an increase of £2,683,312 (27.65%) since 2023. This increase is mainly due to historic claims and much higher settlements on claims rather than an increase in claim volumes. If this trend were to continue without an increase in the deductible, it is anticipated that premiums will continue to rise.

3.11 The Council's Insurance arrangements are managed through Cambridgeshire County Council, who use brokers to advise and procure insurance. The delays to receiving the renewal terms has meant that MKCC could not break the existing contract period (3 years) as there is no time to do this. We have discussed this with CCC and the Brokers and whilst there were significant delays to terms being presented, based on recent claims experience, the Brokers believe the terms offered are the best obtainable in the current marketplace. This also reflects the lack of providers who are willing to provide terms for these insurance products given the risk profile of local authorities and our own claims experience.

3.12 Given the nature of how claims present under this policy and level of settlements, we recommend **that a £100k deductible is retained for 2024/25**, but that work continues to improve the Council's claims experience, as this would potentially reduce premiums in the future. A focus is required on risk management to mitigate claims numbers and values as far as possible.

4. Implications of the Decision

Financial	Y	Human rights, equalities, diversity	N
Legal	Y	Policies or Council Plan	N
Communication	N	Procurement	N
Energy Efficiency	N	Subsidy	N
Workforce	N	Other	N

a) Financial Implications

Modelling has shown that if MKCC were to increase the deductible to a level of £250k, which would be consistent with similar sized authorities, the loss ratios would be lower and savings may be possible on premiums, however this would mean that increased provision will need to be made for the payment of claims. An actuarial assessment has also been requested to review the impact this would also have on the Council's insurance provision.

Assumptions were made in the 2025/26 draft budget for an increase in premiums to reflect the deductible remaining at £100k, however no funds have been set aside for any increase to the insurance provision. This will be considered as part of the Council's outturn position for 2024-25 once the actuarial report has been received.

The table below shows the increase in premium of £699k, to both the HRA and GF for all insurance policies, including liability premiums.

Table 1 – total premium increase

	2023 Tender Premium (excl IPT) £	2024 Renewal Premium (excl IPT) £	2025 Cost including Insurance Premium Tax £
Total Cost	1,894,137	2,518,554	2,820,780

b) Legal Implications

The renewal complies with the Public Contracts Regulations 2015, as the original contract allows for a renewal for up to two more years.

5. Alternatives Considered

- 5.1 Alternative terms were offered by the insurer. These terms were that the council increases the deductible from £100k to £250k, thereby reducing the premium to £852,258 (£760,945 + Tax).
- 5.2 The Council could accept the terms increasing the deductible to £250k and accept liability for losses on claims between £100k and £250k. A higher deductible would require a higher insurance provision and additional cost of claims. To quantify the increased cost of this higher deductible, more detailed analysis needs to be undertaken before it can be recommended to move to this option.
- 5.3 The Council is required to have liability insurance. Due to delays in the receipt of the new terms, there was no opportunity for alternative insurance to be sought prior to the start date of 1 October 2024.

6. Timetable for Implementation

6.1 Premium start date 1 October 2024.

List of Annexes

None

List of Background Papers

None