



## AGENDA NO: 13

### INDEPENDENT AUDIT COMMITTEE – 7 April 2020

#### INSURANCE PROGRAMME

#### REPORT BY KAREN JAMES

#### PURPOSE OF THE REPORT

The purpose of this report is to provide an update to members on the retendering of the insurance programme for Dorset and Devon & Cornwall Force and OPCC, which will come into effect on the 1 April 2020.

#### 1. INTRODUCTION

- 1.1 Members will recall that there are joint insurance arrangements in place between Dorset and Devon & Cornwall Force and OPCC.
- 1.2 These joint arrangements have been in place since 2016 and whilst subject to annual review with the insurers they have reached the end of the long term agreement on price that was in place.
- 1.3 It was agreed that in order to lever as much financial benefit from the market that we could we would go to the market and tender the insurance programme with the other Forces in the South West Region.
- 1.4 By marketing the insurance programme in this way we were also seeking to align insurance providers and policy excess levels, where possible with the rest of the region.
- 1.5 This strategy has the benefit of improving operational flexibility and minimising the administrative burden and consequential cost between insurers when an insurance claim cuts across a number of Forces. This is particularly relevant for claims arising from regional based policing functions.
- 1.6 Working with our insurance brokers (AON) there has been an ambitious programme of work, to better understand the total cost of our retained financial risk at various excess levels, and to agree a marketing strategy together with contract terms that all the Forces in the region could agree to.



## 2. INSURANCE MARKET

- 2.1 Our insurance brokers supplied us with an overall market briefing, which sets the context of a hardening market for insurance generally and specifically focusing on the blue light area where we are considered to present one of the higher risks for the insurance business. In particular the following points were made:
- 2.2 *Liability and Motor rates are still rising, particularly where there is a poor claims experience although in the Blue-Light Sector motor rates are under severe pressure owing to several factors, not least the increase in the number of significant claims across the book.*
- 2.3 *The Blue-Light market for Liability and Motor has seen a reduction in insurers over the past few years and insurers such as Travelers and Zurich Municipal have withdrawn. This has left only two insurers, namely Risk Management Partners (RMP) and Maven Public Sector (Maven), for Liability risks and three markets for Motor, namely RMP, Maven and Edison. The concentration of blue light risks into these few insurers has significantly affected competition.*
- 2.4 *The main driver of the pressures on rates and premiums, is the performance of the blue light book of insurance. Insurers have reviewed their books and in short, the money in the pot from premiums is not covering the costs of claims.*
- 2.5 *RMP, who have the biggest book of blue light risks in the market, have undertaken a review of the 25 years in which RMP has been offering insurance to the UK public sector market. Their aim is to still be writing business in another 25 years-time and a sustainable book of business is critical to achieve this. This review has revealed that not only are large losses increasing in size, they are also increasing in frequency.*
- 2.6 *The increasing costs of claims and their increasing frequency means that insurers must review their rates in order to maintain sustainability and this, coupled with a reducing number of insurers able to compete, means that savings are difficult to achieve in the current market and increases in premiums must be factored into budgets.*
- 2.7 The majority of the tender evaluation process is now complete with a couple of more minor areas of insurance being finalised. An update on these will be provided at the Committee meeting.



### **3. OUTCOME OF THE RENEWAL PROCESS**

- 3.1 From the perspective of Dorset and Devon & Cornwall Force and OPCC the tender exercise has been a positive process against the market background.
- 3.2 Some classes of insurance has seen a reduction in premiums, others have seen a premium reduction related to an increase in excess levels. This is the case in relation to liability insurance where our excess level has increased for each and every claim.
- 3.3 The arrangements for some smaller categories of insurance are being finalised however the emerging picture for the total insurance programme is that of stability or even a minor reduction in overall costs when compared to the previous year.
- 3.4 Working with the other Forces in the region we now have the same insurers in place for each class of insurance and where possible the same excess level.
- 3.5 The positive financial outcome for Dorset and Devon & Cornwall, has been achieved through the quality of the insurance claims data provided and the confidence of the insurance underwriters in this data and our combined risk mitigation arrangements.
- 3.6 Moving forward opportunities to further manage our retained insurance risk will be explored.
- 3.7 All the new insurance arrangements come into effect on the 1 April 2020.

### **4. RECOMMENDATIONS**

- 4.1 The Committee as are asked to note the report, and the new risk financing arrangements that come into effect on the 1 April 2020.

**Karen James**  
**Head of Audit, Insurance and Strategic Risk Management**