

INSURANCE POLICY 2025

Within the County Council's Constitution (revised December 2024), the Terms of Reference at Section 2: Governance and Risk places responsibilities on the Corporate Governance Committee at 2.10, 'To review and make recommendations to the County Council on the Council's Insurance Policy'.

Leicestershire County Council's (the Council's) insurance programme is arranged in conjunction with its appointed Insurance Brokers. This is Marsh Limited which was appointed from 1 February 2023. The contract was extended in February 2024 (the first of three allowable extensions).

Potential losses are covered by a combination of self-insurance and a range of policies held with insurance companies, which are renewed on an annual basis. The process to identify the level of self-insured retention against the insurance required is based on several factors. These include the reduction in premium (including associated premium tax currently 12%) to be achieved by altering the excess levels weighed up against the Council's ability to meet an increased exposure, for example by way of a spike in claims received due to external factors like the weather and for one-off large losses.

'Aggregate stop limits' are in place which cap the potential exposure to the Council on an annual basis by reducing the self-insured retention levels (excess) significantly once the limit has been breached.

Following a procurement exercise, from 1 October 2024 the Council's Insurance Programme is now insured via Maven Public Sector for casualty and property risks, and Travelers UK for motor risk. The initial contracts with both insurers expire on 30 September 2027 with the option of three further 2-year extensions i.e. 9 years in total.

The Council no longer insures its maintained schools under the main insurance programme, instead the schools are now insured under a separate scheme which is currently insured via Zurich Municipal.

There are several other classes of insurance which didn't form part of the main procurement exercise. These were procured directly via Marsh Limited (the LCC appointed broker) as they were not available to procure via the YPO Framework used for the main programme.

The following policies/covers are currently in place from 1 October 2024:

Class of Insurance	Type	Limit of Indemnity / Basis of Cover	Aggregate Stop Limit if applicable	Self-insured retention/excess
Employers' Liability	Casualty	£50m – Cover written on an any one occurrence basis. £35m Primary Layer, £15m Excess Layer.	£2.5m	£500,000

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Public Liability	Casualty	£50m - Cover written on an any one occurrence basis. £35m Primary Layer, £15m Excess Layer	£2.5m	£500,000
Officials Indemnity	Casualty	£10m – Cover written on an aggregate basis	£2.5m	£250,000
Professional Indemnity	Casualty	£10m - Cover written on an aggregate basis	£2.5m	£250,000
Fidelity Guarantee	Casualty	£10m - Cover written on an aggregate basis	N/A	£100,000
Material Damage & Business Interruption (Non-Education)	Property	Day One Reinstatement Business Interruption £25m Increased Cost of Working (ICOW) (48 months)	£1m	£500,000
Material Damage & Business Interruption (Commercial including Industrial Units)	Property	Day One Reinstatement Business Interruption £25m ICOW (48 months)	N/A	£250
Material Damage & Business Interruption (Farms)	Property	Day One Reinstatement Business Interruption £25m ICOW (48 months)	N/A	£500
Motor	Motor	Comprehensive	N/A	£5,000 (only applying to own vehicle damage)
Terrorism	Property	Select properties Business Interruption £25m (48 months)	N/A	Nil
Medical malpractice	Casualty	£10m – Cover written on an aggregate basis	N/A	£425,000

An annual revenue contribution is required to allow the Council to fund claims within the self-insured retention limits, thus aiming to prevent a detrimental impact on service budgets. The level required is assessed annually as part of the MTFS, based upon several factors including the current claims experience and anticipated future changes. For example, new heads of claims which may emerge.

The amount of funding required from the Council, can vary significantly each year. This can be due to a one-off catastrophic incident occurring, such as a large building fire, or simply the timing of when claims are reported culminating in an increased volume of claims covering one particular period.

For own property damage claims, and fidelity (theft) claims, there is usually a short delay between incident and notification. It is therefore a more straightforward process to set aside appropriate funding for annual losses but retaining a focus on catastrophic events which occur on a less regular basis, but which have a greater financial impact.

Assessing liability claim levels is more difficult, due to the nature of claims that the Council receives, claims will have been incurred but not reported within the financial year of the incident. A number of years can elapse before a liability claim is concluded.

Earmarked funds are held to allow for years of exceptionally high claims, both in terms of volume and value, to be covered without detriment on the annual revenue budget. The earmarked funds for these classes are subject to an annual internal assessment to ensure that they are maintained at suitable levels in order to meet ongoing financial commitments. In addition, provisions are held for claims received that are awaiting settlement, the level being based on an assessment of the likely liability.

An external independent actuarial review of the Council's in-house Liability Insurance Fund and Uninsured Loss Fund as at 1st October 2022, was undertaken by Gallaghers (Arthur J Gallaghers Insurance Brokers Ltd) and concluded in early 2023. The outcome from the actuarial review was to release a smaller reserve £0.4m in 2023-24 and from 2024-25 reduce the annual top up to funds by £0.2m. The other larger specific reserves remain under review as the MTFS progresses.

The Insurance Service employs experienced claims negotiators which handle all liability claims brought against Leicestershire County Council up to the delegated authority limits as agreed with the insurer.

The claims handling delegated authority extends to cover investigations into allegations of negligence and provides authority to take decisions on liability. The Council's claims negotiators, its Legal Services team and external solicitors and other approved experts, work in partnership to defend litigated claims.

The Insurance Service has traditionally been subject to annual audits undertaken on behalf of the Insurance Company. The outcome of these audits could ultimately have implications on the agreed delegated authority limits resulting in reduced autonomy over decisions of liability and settlement negotiations. Outcomes have generally been exceptional (highest rating).

More details on the principles of risk financing are to be found in the Council's Risk Management Policy Statement and Strategy 2025.

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Revised January 2025
Next due December 2025