

For Comment & Decision	
Public/Non Public	Public
Report to:	Strategic Resources and Performance Meeting
Date of Meeting:	20th May 2015
Report of:	Chief Finance Officer
Report Author:	Pamela Taylor
Agenda Item:	7

INSURANCE TENDER 2015

1. Purpose of the Report

- 1.1 This report is to inform the Police & Crime Commissioner of the results of the insurance tender and the subsequent work required to positively influence future tenders and renewals.

2. Recommendations

- 2.1 The Commissioner is requested to approve the action being taken by the force to reduce the number of future claims and the work of the Chief Finance Officer in progressing old outstanding claims to conclusion.

3. Reasons for Recommendations

- 3.1 To provide assurance that lessons learned from the tender process are implemented and acted upon to ensure value for money.

4. Summary of Key Points

- 4.1 The tender for insurance was managed through a consortium of police forces. This ensures that we benefit from the economies of scale when purchasing insurance cover.
- 4.2 This year the insurance market has hardened and there has been a need to adjust some of our excess levels in order to keep premium levels to a similar level as previously.
- 4.3 The exception to this has been our motor insurance cover. This policy has had an increased excess level and a significant increase in the premium – more than double.
- 4.4 The main reason for the increase on the motor premium is that our claims history is poor, especially compared to other forces within the consortium. The attached report summarises the planned actions that should have a positive effect on reducing future premiums.

5. Financial Implications and Budget Provision

- 5.1 The Chief Finance Officer under delegated authority approved the insurance tender. The increase in premiums of £0.166m has been included within the budget.
- 5.2 The Chief Finance officer will meet with the brokers to ascertain how we progress old outstanding claims to their conclusion.

6. Human Resources Implications

- 6.1 None as a direct result of this report.

7. Equality Implications

- 7.1 None as a direct result of this report.

8. Risk Management

- 8.1 The force has recently introduced an Artemis system which will assist in improving driving standards and will continue to review the number of police vehicles actually required.

9. Policy Implications and links to the Police and Crime Plan Priorities

- 9.1 None as a direct result of this report.

10. Changes in Legislation or other Legal Considerations

- 10.1 None

11. Details of outcome of consultation

- 11.1 Not applicable

12. Appendices

A – Insurance Update May 2015

13. Background Papers

13. Decision record is published on the Police & Crime Commissioner website.



Nottinghamshire

POLICE & CRIME COMMISSIONER

INSURANCE UPDATE MAY 2015

1. Introduction

The Commissioner recently confirmed acceptance of insurance tender prices for the next three years. The results were generally good with the exception of Motor Vehicle insurance as seen in the table below: This was coupled with a rise in self-financed excess level from £0.100m to £0.175m.

	Budget 2015-2016 £m	Tender Result £m	Variance £m
Property Insurance	0.091	0.101	0.010
Liability Insurance	0.276	0.260	-0.016
Motor Insurance	0.170	0.342	0.172
	0.537	0.703	0.166

2. The Force Reponse

The Force Executive Board considered a report on this tender outcome and wider aspects of Fleet insurance on the 13 April 2015. Key points from this report are summarised here.

- a) The increase in premium was directly related to the poor claims history of Nottinghamshire Police. The major claims highlighted by the underwriters are as follows.

Year	Number of claims	Paid to date £m	Estimate outstanding £m	Total £m
2004-2005	1	0.057	0	0.057
2006-2007	0	0	0	0
2007-2008	3	1.077	0.749	1.826
2009-2010	0	0	0	0
2010-2011	4	0.562	0.660	1.322
2011-2012	1	0.043	0.657	0.700
	9	1.739	2.066	3.805

Therefore the premium rise has been influenced by historic claims still outstanding. The Chief financial Officer to the PCC is going to meet the Claims handler to ascertain what could be done to bring these cases to a speedier conclusion and whether any lessons can be learned.

b) The premium paid however forms only part of the expenditure because

Motor own damage costs	2014-2015	2013-2014	2012-2013	2011-2012
	£k	£k	£k	£k
	10 months			
Actual paid Motor	675	260	502	525
Actual paid Liability	595	569	274	396
	1270	829	776	921
Cost of own accident damage	379	461	382	391

c) The Force has formulated a response to mitigate these costs as follows;

- That the risk management time included with the brokerage and policy is focussed towards improving the motor claims and that the Transport Manager be involved with this.
- That Artemis be used to assist in improving driving standards and reducing claims.
- That all efforts are given to settling historic claims.
- That fleet review be undertaken to minimise the fleet size because insurance costs are based on a per vehicle basis.
- That progress is reviewed in July with a further report to FEB.

3. Conclusion

The PCC will support and work with the Force in achieving these aims.

Appendix 2 Comparison of Results across consortium

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	GMP			Lancashire			Merseyside			Cheshire			North Wales			S. Yorks'			W. Yorks'			Nottingham		
	£000	£000		£000	£000		£000	£000		£000	£000		£000	£000		£000	£000		£000	£000		£000	£000	
CLASS	2014	2015	%	2014	2015	%	2014	2015	%	2014	2015	%	2014	2015	%	2014	2015	%	2014	2015	%	2014	2015	%
Property	237	226	-5	110	108	-2	211	130	-38	63	59	-6	59	59	0	86	80	-7	181	136	-25	75	86	15
Liability	392	477	22	190	358	88	264	288	9	218	258	19	195	244	25	383	672	75	216	213	-1	225	245	9
Motor	283	316	12	235	206	-12	286	240	-16	107	117	9	447	486	9	322	291	-10	225	234	4	136	331	144
Crime/FG	27	54	100	8	8	6	13	20	55	5	13	158	5	8	49	10	11	16	13	25	86	13	8	-36
PA/Travel	17	15	-10	6	4	-38	4	2	-49	15	12	-19	4	7	73	15	12	-21	1	1	40	1	1	42
Engineering	14	13	-5	7	0		8	7	-7	5	5	3	9	11	16	15	17	13	23	22	-5	6	10	75
TOTAL	969	1101	14	556	684	23	785	687	-13	412	464	13	719	815	13	831	1083	30	659	631	-4	454	681	50

The figures here exclude insurance premium tax payable at currently 6%.

For Nottinghamshire it also excludes the extension on Chief Officer vehicles to have an excess of £500

Appendix 3 Nottinghamshire budget comparison

Confidential commercially sensitive information

CLASS	2014-15			Tender 2015-16			Budget	
	invoice	ipt	Total	Tender exc ipt	tender increase	Tender inc ipt	Budget	shortfall/ saving
	£	£	£			£	£	£
Property	55,768	3,346	59,114	85,613	11,040	90,750		
Terrorism	18,805	1,128	19,933					
Engineering	5,728		5,728	10,068	4,340	10,672		
	80,301	4,474	84,775	95,681	15,380	101,422	91,000	-10,422
Liability	224,744	13,486	238,230	245,409	20,665	260,134	276,000	6,847
Crime/FG	12,513	751	13,264	7,939	-4,574	8,415		
PA/Travel	702	42	744	570	-132	604		
Motor	135,520	8,131	143,651	330,820	195,300	350,669	170,000	-184,379
Motor Chief Officer	3,500	175	3,675	3,500	0	3,710		
TOTAL	457,280	27,059	484,339	683,919	226,639	724,954	537,000	-187,954