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## **INSURANCE**

### **FINANCIAL PROCEDURE 20a**

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**OWNER: Chief Finance Officer**

# FINANCIAL PROCEDURE

## INSURANCE

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You should read this Financial Procedure in conjunction with the Council's -

- Code of Financial Governance

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## Why is insurance important?

**It is important that we identify and assess all risks to the Council and arrange insurance cover that will protect finances against possible claims or losses so we can continue to deliver our services.**

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The Council maintains insurance cover to deal with the financial consequences of incidents which may give rise to a claim being made by/against the Council or result in financial cost or loss which may not otherwise be provided for. The extent to which the Council self insures is informed by the perceived risk and the Council's claims history and financial circumstances.

The Chief Finance Officer is responsible for bringing into effect corporate insurance cover, encompassing all areas of the Council, through external insurance, internal funding, and negotiating all claims in consultation with other officers, where necessary. The Financial Procedure: **Insurance** sets out the means by which this process is undertaken.

The Chief Finance Officer must be notified immediately of any loss, liability or damage that may lead to a claim being made by/against the Council. Directors must ensure that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim. It is imperative that staff comply with the timescales for investigating claims and the insurer's conditions. Failure to comply could directly affect the Council's ability to make or defend a claim or could result in financial penalties being imposed on the authority.

Directors must notify the Insurance Team promptly in writing of all new risks, properties or vehicles that may require insurance, and of any alterations or disposals affecting existing insurances.

Directors should consult the Chief Finance Officer and The Insurance Manager on the terms of any indemnity/guarantee that the Council is requested to give.

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## **FINANCIAL PROCEDURE**

### **INSURANCE**

#### **1. INTRODUCTION**

- 1.1 This Financial Procedure supports the Code of Financial Governance as set out in the Constitution of Central Bedfordshire Council.
- 1.2 Insurance is an activity of the Council which requires continual review. The main reasons for this are:-
- (a) Increasing insurance premiums and the need to address this by undertaking the self-insurance of some risks,
  - (b) An increasing number of insurance claims,
  - (c) Changes in legislation resulting in a need to approach the provision of insurance cover in a different way, e.g. for Schools under Local Management of Schools (LMS) arrangements,
  - (d) A reducing number of insurers prepared to write business for Local Authorities
- 1.3 All directorates of the Council benefit from corporately arranged insurance and in most cases are automatically covered. Some directorates have individual requirements and therefore the Insurance Team makes specific arrangements on request.

#### **2. EXTERNAL INSURANCE AND SELF-INSURANCE**

- 2.1 The Council operates its own insurance fund which pays part, or all of certain types of claims.
- 2.2 Examples of the risks included within our self-insurance arrangements are:
- (a) Third party and employer liability risks
  - (b) Fire risks relating to the Council's property.
- 2.3 These self-insurance arrangements are designed to reduce overall insurance costs. Officers of the Council have a responsibility to ensure that its exposure to risk is as low as possible thus ensuring insurance costs are kept to a minimum. To assist officers in this process the Council has an Insurance Team and annually reviews Insurance for the Authority.
- 2.4 Insurance policies are tendered regularly through the Council's insurance brokers to ensure the most economic cover is arranged. Where appropriate long term agreements with insurers are entered into to obtain premium discounts.

### **3. ARRANGEMENTS FOR INSURANCE - DELEGATION OF RESPONSIBILITY**

- 3.1 The Schemes of Delegation by the Council to Committees delegates' responsibility for the general financial administration of the Council including arrangements for the provision of insurance services.
- 3.2 The Scheme of Delegation by the Council to Senior Officers delegates to the Chief Finance Officer who is responsible for making appropriate arrangements to satisfy the Council's insurance requirements.

### **4. RESPONSIBILITIES OF DIRECTORATES**

- 4.1 All insurance provision is regularly reviewed by the Chief Finance Officer/Insurance Manager, in consultation with appropriate Senior Officers, to ensure the adequacy of the cover provided. The Chief Finance Officer/Insurance Manager will also consult with nominated Council Members where significant changes in the Council's insurance arrangements are under consideration.
- 4.2 Each Director is responsible for ensuring that the Insurance Team is informed, in advance and in writing, of all new risks, properties and other assets which, in accordance with the law or the Council's decisions, need to be insured.
- 4.3 A Contract of Insurance is one which is "of the utmost good faith" and every insurance policy states that it is a duty of every policyholder to bring to the attention of the Insurers any material changes in the risk, or other material factors affecting the Policy. Therefore, each Director is responsible for informing the Chief Finance Officer/Insurance Manager in advance of any change in circumstances or material factors affecting existing insurances. (Appendix B - Duty of Disclosure).
- 4.4 Each Director shall immediately notify the Chief Finance Officer/Insurance Manager, in the form specified by the Chief Finance Officer/Insurance Manager or the Council's Insurers, of any loss, liability, damage or any other event likely to lead to an insurance claim. Negotiations of all claims shall be undertaken by the Insurance Manager (or in accordance with arrangements agreed by the Chief Finance Officer and the Insurers).
- 4.5 Where any loss results from fraud or suspected fraud, the Internal Audit & Risk Section must also be advised. Similar notification to the Internal Audit is also required when the loss results from theft following a break-in at the Council's premises.
- 5.6 Each Director is responsible for ensuring that information and documentation requested by the Insurance Team is provided promptly.
- 5.7 No indemnity, release, or similar undertaking which may lead to a claim against or liability on the part of the Council, or which may prevent the Council from making any claim, or enforcing any liability, shall be given other than under the hand of the Legal Adviser and with the agreement of the Chief Finance Officer/Insurance Manager.

## **5. ALLOCATION OF INSURANCE COSTS**

- 5.1 The allocation of insurance costs to directorates is undertaken as part of the budget preparation process each year.
- 5.2 The current basis of allocating insurance charges to Directorates for those risks included in the Internal Insurance Fund is based on wages and salaries and sums insured. Part of the insurance cost is allocated to all Directorates on a straight pro-rata basis before allocating a weighting based on claims experience for areas of significant risk and high claims experience. This ensures that those Directorates with no claims still bear a fair proportion of the insurance costs to reflect the underlying risk and reduces year on year fluctuations in premiums resulting from occasional claims.
- 5.3 This approach to the allocation of insurance costs, allows for a "fine-tune" of some of the allocations where abnormal and unacceptable increases arose. Such fine tuning could arise through a significant reduction or rise in the level of service, significant changes in numbers of vehicles operated or single large claims distorting the claims pattern.
- 5.4 Other insurance premiums for risks not handled through the Internal Insurance Fund are charged direct to Directorates / Schools.

## **6. EXCESSES TO BE MET BY DIRECTORATES**

- 6.1 Directorates/Services are responsible for an excess on all claims handled through the Internal Insurance Fund.
- 6.2 The level of the excess is regularly reviewed and Directorates advised of the level. As the self-funding arrangements are extended to cover other risks, these will be included within these excess arrangements. Details are available from the Insurance Team.
- 6.3 Some other policies for risks not handled through the Internal Insurance Fund also carry excesses and these have to be met from within the Directorates own budget. The level of these excesses varies from policy to policy.

## **7. LOCAL MANAGEMENT OF SCHOOLS - SCHOOL INSURANCE**

- 7.1 Under Local Management of Schools (LMS), individual schools are responsible for managing their own budgets and may opt to manage and take delegated funds in respect of insurance matters. As part of any such delegation, the Council monitors that schools can demonstrate that they maintain at least the minimum insurance standard that the Council itself would have maintained.

Some optional insurance cover available to schools:

<b>Balance of Risks Insurance</b>	Cover against damage to school buildings or loss or damage to contents resulting from perils against which the Council does not arrange cover for which the governing body is responsible e.g. Theft, Malicious Damage, Burst Pipes, Flood etc.
<b>Third Party Hirers' Insurance</b>	Cover in respect of the liabilities of non-profit making persons/groups arising whilst hiring school premises. The cost of the cover is recharged to hirers by schools within the letting fee.
<b>Off-site Activity Insurance</b>	Cover for all participants on official school visits against Personal Accident, Loss of Personal Effects and Money.
<b>Public Liability Cover for Parent/Teacher Associations (PTAs)</b>	Cover for the liabilities of PTAs in relation to their usual activities.

## **8. TYPES OF INSURANCE**

- 8.1 A brief outline of the risks covered by the main types of insurance affected by the Council is shown at Appendix A.

## **9. CONCLUSION**

- 9.1 Insurance is a very technical subject which has become more complex over recent years.
- 9.2 Since 1 July 1993, any Council, as a public sector body, has been subject to the requirements of EC Services Directive 92/50/EEC, with regard to Tendering for Insurance Services. This Directive requires the Council to advertise its insurance requirements throughout the European Community in a standard way and to set timescales. Effectively, this limits the ability of the Council to negotiate terms directly with Insurer
- 9.3 All queries relating to insurance cover or a claim should be directed to the Insurance Team.

Contact: Veena Masih, Insurance Manager

Tel: 0300 300 8129

## APPENDIX A

### EXAMPLES OF INSURANCE COVER

<b>Public Liability (Third Party)</b>	Cover for claims for personal injury or damage to property suffered by third parties, resulting from the negligence of the Council, its employees or any volunteers assisting in the carrying out of its functions.
<b>Employer's Liability</b>	Cover in respect of claims for personal injury suffered by employees of the Council, resulting from the negligence of the Council, other employees or any volunteers assisting in the carrying out of its functions.
<b>Officials Indemnity</b>	Cover for claims for financial loss suffered by third parties as a result of any negligent error or omission by an employee of the Council whilst carrying out their duties.
<b>Libel and Slander</b>	Cover for claims made against the Council, its employees and Members by a third party alleging libel or slander.
<b>Professional Negligence/Indemnity</b>	Cover against financial loss arising from an error or omission, suffered by a third party as a result of advice given or reliance placed on calculations made, where there is a contractual relationship between the claimant and plaintiff. It is particular relevance now that Directorates provide services under contract to, for instance non LEA Schools, Colleges and other external bodies.
<b>Property Damage/Loss</b>	Cover in respect of the perils to which buildings may be exposed. The Council insures the perils of Fire, Lightning, Explosion and Aircraft. Perils not covered include: Theft, Storm, Tempest, Flood, Burst Pipes, Subsidence, Earthquake, Malicious Damage and Impact.



**Additional Expenses/  
Consequential Loss**

Cover against additional expenses incurred because all or part of a building is unavailable for use as a result of damage caused by a peril insured under the Property Damage Policy. For example, if a building were damaged through fire and it was necessary to obtain alternative accommodation whilst repairs were undertaken, this policy would cover the additional costs of rent, heating, lighting, travelling expenses etc.

**Motor Vehicle**

Cover in respect of risks relating to Motor Vehicles owned or operated by the Council. Any liability risk relating to Motor Vehicles has to be insured under a Motor Vehicle policy, being specifically excluded under a Public Liability. The Council does not have any cover for vehicles belonging to employees.

**Computer**

Cover for computer installations which can include damage to the equipment, cost of re-instating data lost, and additional expenses in providing alternative facilities following loss of use of the equipment through an insured cause. Cover is provided only with respect to specified items.

**Engineering Inspection**

Provides for inspections of boilers, lifts, hoists and other plant to comply as required under Health and Safety legislation and other Statutes.

**Personal Accident**

Provides benefits in respect of death or permanent physical disability suffered whilst carrying out duties on behalf of the Council. Cover is provided for Staff both on a general basis whilst carrying out their duties and for injuries arising from assault, Members of the Council and School Governors are also included in this cover.

**All Risks**

Cover in respect of most risks to which items of equipment may be exposed, including Theft and Vandalism. Although Departments may be able to insure specific high risk items if required through the Insurance Section, the Council's general policy is not to provide this cover. In particular, this generally means that theft of equipment is not covered by insurance.

**Fidelity Guarantee**

Cover against losses of property and money resulting from fraudulent acts and dishonesty of employees. It is a statutory requirement for Local Authorities to affect this cover.

**Money**

Cover against the loss of money in transit and whilst held on the premises of the Council and, under limited circumstances in the homes of its employees, subject to defined limits and being secured in safes and certain other locked receptacles. For unspecified sales the limit is £1,000.

The foregoing is a brief summary of the main types of Insurance affected by the Council. The full terms and conditions for each policy detailing the limits of cover and the exclusions under which the policy will not provide cover is held by Risk Management team. If further details of these limits and conditions are required they can be obtained from the Head of Strategic Risk

### DUTY OF DISCLOSURE

All Central Bedfordshire Council insurance policies require that there should be full disclosure of any changes in circumstances during the policy year and insurers reserve the right, if not informed of relevant changes to decline to insure the council in respect of any claims relating to the changed circumstances. It is essential therefore that the Insurance Team are informed of significant changes to obtain the insurer's agreement to continue the insurance policy. The Insurance Team should be advised when changes are being contemplated for the following:

- Any new property purchased in excess of £1m should be notified immediately
- Any new projects requiring separate or additional cover should be notified at the planning stage
- Any new partnerships requiring separate or additional cover should be notified at the planning stage
- Any large sale of property or equipment or outsourcing of services should be notified immediately

There is a 30 day notification period on all our insurance policies so all claims and those that are potential claims should be notified to the Insurance Team.

If you are in doubt as to whether a matter should be advised then contact the Insurance Team for advice on 0300 300 8129.