

Analysis of Self-Insurance Funds

West Berkshire Council



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September 2014

PUBLIC SECTOR RISK PRACTICE

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1. EXECUTIVE SUMMARY

This report is a final valuation based on employers' liability, public liability (including official's indemnity claims) and property loss run data assumed to be as at 31st May 2014; the actual last recorded dates of incident in the data are as follows:

- EL 24/04/14
- PL 24/05/14
- Property 11/08/14

This review recommends insurance provisions and reserves as at 31st May 2014 and also projects the position as at the next balance sheet date of 31st March 2015.

The report primarily addresses the era from policy year 2003/2004 to date for liability and from 2007/2008 to date for property.

We would ask you to bear the following points in mind when considering the content of this report.

- In compiling the report, we have assumed that West Berkshire's risk profile has remained relatively constant over the period of our review.
- No adjustments have been made to the historic claims picture to reflect changes in risk profile before forecasting future claim levels.
- A predicted cash flow profile is shown for illustrative purposes in Appendix 11.
- We have given consideration to the exposure following the decision by MMI's directors in November 2012 to formally trigger the Scheme of Arrangement and following the Scheme Administrator's decision to collect a 15% levy in February 2014. We specifically comment on the recently published 2013/2014 accounts for MMI; please see pages 15 to 17.
- A number of important caveats associated with this report are detailed on pages 18 and 19.
- A list of the information provided by West Berkshire to carry out this valuation is shown in Appendix 13.
- In this report, we define "provision" as a reported loss that meets the criteria of a provision under FRS 12 (IAS 37) plus 15% of reported MMI outstanding claims; everything else is categorised as a reserve.
- We are predicting one liability aggregate stop loss breach (policy year 2009/2010). This year may develop more favourably than our forecast but we are essentially recommending that West Berkshire provide for the full aggregate for this year until it has reached a mature development position.
- We have assumed that the mesothelioma claims with exposure dates prior to 2003/2004 are totally self-insured by West Berkshire as implied in the project briefing note.

- We have also provided our view of the impact on the recommended fund injection of increasing West Berkshire's casualty deductible at the 2014 renewal from £100K to £200K.
- Our forecast funding requirements as at 31st March 2015 are detailed on the following pages. Full details are also provided in Appendix 2; the actual size of West Berkshire's insurance fund (i.e. provisions and reserves) will be influenced by your risk appetite and view on the potential volatility of ultimate loss costs in the future, arising from past events. In addition, your insurance provisions and reserves may also address risk issues that are outside the scope of this JLT review.

Forecast Funding Requirement as at 31st March 2015

<i>Element</i>	<i>Recommended Scenario</i>	<i>Total</i>	<i>Pessimistic Scenario</i>
EL – 13/14 and prior	£726,600		
PL – 13/14 and prior	£857,700		
Property – 13/14 and prior	£186,500		
Sub-Total		£1,770,800	£1,770,800
EL – pro-rata of 14/15 year	£95,000		£95,000
PL – pro-rata of 14/15 year	£144,300		£144,300
Property – pro-rata of 14/15 year	£103,800		£103,800
Sub-Total		£343,100	£343,100
Residual IBNR	£181,700		£290,600
Emerging Claims Reserve	£158,400		£396,100
Suggested MMI future levy reserve (former Newbury DC)	£76,400		£141,800
Suggested MMI future levy reserve (share of former Berks CC)	£279,000		£518,100
15% of reported MMI O/S claims (self-insured by West Berkshire post levy)	£0		£0
PL asbestos exposure	£50,000		£75,000
Run-off EL/PL exposure re public health activities for era prior to 1 st April 2013	£50,000		£75,000
Sub-Total		£795,500	£1,496,600
<i>Forecast paid between July 2014 and March 2015</i>	(£462,200) (£28,800)	13/14 and prior Pro-rata of 14/15	
Sub-Total		(£491,000)	(£491,000)
Total forecast funding requirement as at 31st March 2015		£2,418,400 this is our recommended figure	£3,119,500

Our forecast funding requirement as at 31st March 2015 split between provisions and reserves is shown below (please also see page 28):

Element	Provisions	Reserves	Recommended Scenario Total
EL – 13/14 and prior	£509,900	£216,700	£726,600
PL – 13/14 and prior	£828,300	£29,400	£857,700
Property – 13/14 and prior	£64,700	£121,800	£186,500
Pro-Rata of 14/15 policy year (all risks combined – net of predicted paid by 31/3/15)	£83,800	£230,500	£314,300
Suggested Residual IBNR		£181,700	£181,700
Suggested Emerging Loss Reserve		£158,400	£156,400
Suggested MMI Clawback provision / reserve	£0	£355,400	£355,400
PL asbestos exposure		£50,000	£50,000
Run-off EL/PL exposure re public health activities for era prior to 1 st April 2013		£50,000	£50,000
Adjustment in IBNR between July 2014 and March 2015	£150,000	(£150,000)	£0
Predicted paid claims July 2014 to March 2015 (13/14 policy year and prior)	(£462,200)		(£462,200)
Totals	£1,174,500	£1,243,900	£2,418,400 this is our recommended figure

2. INTRODUCTION

Purpose

The main purpose of this investigation is to assess the appropriate provisions and reserves for self-insured liability and property losses as at 31st May 2014, being the review date, with a forecast to the next balance sheet date of 31st March 2015. We understand that West Berkshire will use the results of this report to assess the appropriateness of their funding arrangements. This review utilises actuarial techniques to forecast ultimate loss costs but has not been peer reviewed by an independent actuarial firm or signed off by a qualified actuary. JLT's methodology is, however, regularly independently reviewed.

The author of this review has been conducting local authority fund reviews since 1995 and has completed over 200 reviews to date. Circa 45 reviews have been conducted in the last twelve months for district, metropolitan borough, city and county councils, London boroughs, police forces and fire authorities. Circa 10 reviews per year are subject to an independent peer review by a firm of actuaries.

Methodology

This report uses the Chain Ladder (link ratio) actuarial method for forecasting ultimate mature loss levels from the last available data point for a given risk and year. The Chain Ladder method has been applied to the progression of incurred losses, plotted at annual intervals. Different models and assumptions could be used, and it is possible that use of these alternative approaches could lead to different results. In our view, however, the chain ladder method is a well-established approach, widely used within the European insurance industry and provides a prudent forecast of ultimate losses.

The Chain Ladder method assumes that the development profile of historic mature underwriting (policy) years will be repeated as the more immature years' run-off. However, in applying the development factors, any anomalies are excluded before calculating average development factors. If the assumptions underlying the Chain Ladder method are not borne out then the future development of losses will differ from losses predicted in this report.

The recommended capital injection (fund injection for future losses) is based on the projected ultimate losses under the Chain Ladder Method with a margin added for prudence, and assumes materially unchanged deductible levels.

The main loss data provided for this review was deemed to be as at 31st May 2014. A summary of the data provided by West Berkshire, on which this report has been based, is set out in Appendix 13. We have not independently verified the data provided by West Berkshire upon which the findings of this report are based.

Variability Analysis

Key comments to make regarding the potential range of outcomes for West Berkshire are as follows:

- No specific triangulations were available from West Berkshire and we have therefore used development factors derived from a cohort of triangulated data for comparable authorities.
- In applying the loss development factors from the cohort of data, we have been prudent in their application, i.e. we have not assumed the most optimistic development scenario.
- In relation to the recommended annualised fund injection to support the 2014/2015 policy year that will commence on 1st November 2014 and the following two policy years (assuming unchanged deductibles), we have provided a range of forecasts from “Best Case” through to “Worst Case”..

Sensitivity Analysis

Key Assumptions, i.e. those that have a material impact on our future forecast, are outlined below, together with the work we undertake to test those assumptions:-

Assumption	Impact on Review	How is Assumption tested?
Chain ladder is appropriate method	Cornerstone of review	When a client requests an independent peer review, part of the actuarial firm’s role is to test other forecasting approaches
Loss development factors chosen	Critical to a prudent forecast	We take a prudent approach as explained
The “as at” date of loss runs	Key to applying the correct development factors	We have assumed an “as at” date of 31st May 2014 which is supported by the last incident dates contained in the loss runs
Basis on which historic losses are revalued for inflation	Affects future forecasts	We believe our approach is prudent and is deemed reasonable by an independent firm of actuaries
That for employers’ liability, the weighting of reported injury losses versus disease losses will be repeated in the future as policy years achieve maturity	West Berkshire have a relatively small number of reported occupational disease claims; the forecasting method cannot predict a surge in disease losses in the future, but we have suggested a Residual IBNR reserve (page 13)	When we receive loss runs we examine, where possible, the level of reported disease losses and compare that to earlier data, if available

3. PROCESS ADOPTED

The claims runs were compiled and each reported claim was allocated between West Berkshire's self-insured participation and overlying insurers if applicable. Having compiled the data sources we searched for duplicate claims entries; we found some duplicates on EL and eliminated these by a comparison of date of loss and quantum.

A loss forecasting model was constructed for EL, PL (including OI) and Property risks to predict the ultimate loss cost for each legacy year, and to assess the amount of funds required to meet West Berkshire's residual liability in the retained risk area (please see Appendices 7 and 8).

We have then looked at forecast ultimate self-funded losses against the aggregate stop loss for each risk and year and have calculated the potential for forecast aggregate breaches (Appendix 9).

By applying generic payment patterns for EL, PL and Property we have predicted the timing of future loss payments assuming no further self-funded risk after 31st March 2015 (please see Appendix 11 for details of the cash flow forecast). The timing is deliberately prudent; any remaining liability for older policy years is assumed to be paid within the next 36 months except for the mesothelioma claims which we have assumed are paid out over the next 5 years.

4. FORECAST LOSS LEVELS FOR 2014/2015

The future forecasts were based on the forecast ultimate losses to the fund for a selected number of previous policy years, revalued for loss inflation, with different "loss picks" chosen to reflect the volatility from year to year, with the recommended fund injection being in the range between the "Best Case" (Median) and "Expected" (3rd Quartile) scenarios. The EL, PL and Property risks were subject to individual forecasts. Some liability forecasts exceed West Berkshire's current liability aggregate stop attachment point (please see page 21). In view of this and given the current public sector hard market, we anticipate that at renewal insurers may seek to impose a significantly higher aggregate stop than is currently in place.

The basis of the revaluation of historic liability losses for inflation was to apply the Consumer Prices Index (all items) to the property damage element of the experience and 8% per annum compound for the bodily injury element. The split of the PL experience between TPBI (bodily injury) and TPPD (property damage) is an estimate based on claim descriptions. All property losses were revalued using the Consumer Prices Index.

The “loss picks” for 2014/2015 are as follows:

2014/2015 Year	Policy	Best Case	Expected	Worst Case
Risk				
Employers Liability, Public Liability and Property		Median of forecast ultimate losses for legacy years, trended for claims inflation	3 rd Quartile of forecast ultimate losses for legacy years, trended for claims inflation	Maximum value of forecast ultimate losses for legacy years, trended for claims inflation

The recommended fund injection only addresses the forecast ultimate self-funded loss costs and specifically excludes the following:

- Fund Administration / Loss Handling costs
- External Insurance premiums and IPT
- Cost of Risk Management initiatives

Our suggested fund Injections for the 2014/2015 policy year that will commence on 1st November 2014, assuming unchanged deductibles, are as follows:

2014/2015 Policy Year (full 12 months)	Best Case	Expected	Worst Case
Risk			
EL	£127,400	£229,600	£531,900
PL	£258,900	£348,900	£584,300
Property	£185,400	£251,000	£332,000
TOTALS	£571,700	£829,500	£1,448,200

Note: Both the “Expected” and “Worst Case” liability injections exceed your current liability aggregate stop of £450,000 but as stated elsewhere we believe there is a likelihood that insurers will want to materially increase that aggregate at renewal.

Please see Appendix 1 for full details of the forecasts for future policy years.

You have asked us to comment on the impact of the recommended injection to support your self-insurance if you were to increase your casualty deductible at renewal from £100,000 to £200,000. This is summarised below:

Impact of raising Casualty deductible from £100K to £200K

Risk	Recommended fund Injection for 2014/2015 policy year		
	at £100K excess	at £200K excess	Recommended additional injection
EL	£229,600	£316,200	£86,600
PL	£348,900	£362,800	£13,900
Total	£578,500	£679,000	£100,500

5. COMPARISON WITH YOUR PUBLISHED ACCOUNTS

We have compared our forecast figures to insurance provisions and reserve figures in West Berkshire's accounts:

Element	Claim payment budget and Provisions	Reserves	Total
Accounts for year ending 31 st March 2009	£0m	£1.409m	£1.409m
Accounts for year ending 31 st March 2010	£0m	£1.183m	£1.183m
Accounts for year ending 31 st March 2011	£0m	£1.204m	£1.204m
Accounts for year ending 31 st March 2012	£0m	£1.298m	£1.298m
Accounts for year ending 31 st March 2013	£0m	£1.473m	£1.473m
Accounts for year ending 31 st March 2014	£0.242m	£1.295m	£1.537m

A comparison of our forecast funding requirement as at 31st March 2015 with your insurance provisions and reserves as at 31st March 2014 suggests a deficit although of course we are not comparing figures at the same point in time. We would therefore suggest that consideration be given to progressively strengthening your provisions and reserves over the next 3 financial years. Our interpretation of FRS12 also implies a higher provisions figure than in your accounts; this assumes that there are no insurance provisions that are part and parcel of an overall provisions figure without an "insurance" label attached to it in your accounts.

6. SUGGESTED RESERVES FOR VARIOUS RISK ISSUES

The forecast funding requirement as at 31st March 2015 includes suggested reserves for various risk issues; we show below a range of suggested reserves. Your decision on the level of reserves is dependent on West Berkshire's risk appetite, your view on these issues, and your capacity to deal with potential future loss cost volatility. In our suggested fund size, we have included the "Suggested" figures for all categories.

Suggested Reserves	Optimistic	Suggested	Pessimistic
a. Residual IBNR	£72,700	£181,700	£290,600
b. Emerging Claim types	£79,200	£158,400	£396,100
c. MMI - 15% of reported O/S	£0	£0	£0
d. MMI Future levies	£111,700	£355,400	£659,900
e. PL asbestos exposure	£25,000	£50,000	£75,000
f. Run-off EL/PL exposure re public health activities for era prior to 1 st April 2013	£25,000	£50,000	£75,000
TOTAL	£313,600	£795,500	£1,496,600

We provide below some additional commentary on each of these risk issues:

a. Residual IBNR

Employers' liability has two key elements within the total loss experience with very different development profiles; a) bodily injury which typically is fully developed within 7 – 10 years of inception of a given policy year and b) occupational disease with a tail that could be several decades.

The development factors drawn from an EL triangulation suggest levels of IBNR which essentially relates to the injury element of the EL experience only. We believe it is prudent to also provide for IBNR on the occupational disease element of the experience, which will not be indicated from the EL triangulation; we have referred to this as "Residual IBNR".

The key “heads” of potential for long tail EL exposure, and therefore late reported losses, are:

- mesothelioma [in January 2010 an asbestos working party of the UK Actuarial Profession virtually doubled their previous forecast of the ultimate cost of asbestos losses to £9 billion (mesothelioma) or £11 billion (for all types of asbestos-related losses combined). These losses are anticipated to be paid out from now until the year 2050].
- fibrosis of the lung tissue (asbestosis)
- lung cancer (both asbestos related and other)
- “farmers lung”
- noise induced deafness
- vibration white finger
- upper limb disorders
- skin diseases
- asthma

We believe it is prudent for West Berkshire to include a reserve for late reported occupational disease losses, which could impact on one or more historic policy years, over and above the IBNR factors indicated from the triangulation which only deals with anticipated development within the body of reported historical losses.

b. Emerging Losses

Many of our public sector clients wish to consider maintaining a reserve against a range of further risk issues, designed to reflect maximum prudence in a changing world of risk exposures. We are particularly thinking of loss categories that do not feature materially in the historic loss history but are emerging as more material issues now and are likely to be reflected more significantly in future reported losses. The kinds of exposures we are thinking of include:

- Stress
- Post-traumatic stress disorder
- Bullying
- Abuse
- Sexual Harassment
- PL Asbestos (has gained profile after the Willmore v Knowsley MBC appeal court ruling in March 2011).

c./d. MMI Scheme of Arrangement – Update

- MMI wrote its last policy in 1992 and has therefore now been in run-off for 22 years.
- A Scheme of Arrangement was established in 1993 as a better alternative to an insolvent liquidation, in the event that MMI could not achieve a solvent run-off.
- MMI has been a party to litigation over recent years, titled the “EL Trigger” Litigation. This litigation culminated in a Supreme Court ruling in March 2012 which was not favourable to MMI. In summary, the Supreme Court ruling confirms the approach that insurers were adopting to EL claims up to 2005 (and the approach that some insurers have continued to adopt throughout the litigation). That ruling confirms that the policy cover for occupational disease claims such as mesothelioma is triggered by the data of exposure (of asbestos fibres) and not by the deemed date of injury many years later. This ruling essentially links the premium paid to the period of employment during which the exposure took place.
- On 12th November 2012, the Directors of MMI formally triggered the Scheme of Arrangement, having explored various alternatives to this following the Supreme Court ruling and finding none of the alternatives to be viable.
- Following triggering of the Scheme, control of MMI passed from the Directors of MMI to the Scheme Administrator (Gareth Hughes of Ernst & Young LLP).
- The Scheme Administrator decided that a 15% levy was required to bolster MMI's balance sheet and this was physically collected from Scheme members in February 2014.

What does the Scheme of Arrangement say regarding a levy?

- Any levy would be applied to previously paid claims on behalf of members since the Scheme of Arrangement incepted (less £50,000) and the same percentage reduction would apply to future settlements on claims currently outstanding.
- A note in MMI's 2011/2012 accounts confirms that there could be one or more percentage levies on Scheme members; therefore the Scheme Administrator does not have to allow for every eventuality and seek a single extremely prudent levy.

What is the Maximum Levy?

- We believe the maximum possible levy is 100%, after which if this proved insufficient, the company would be put into an insolvent wind up

Does the Supreme Court “EL Trigger” ruling create more certainty for MMI?

- Whilst the Supreme Court ruling created certainty in a legal sense, there is still a great deal of uncertainty as to the ultimate claims cost for MMI. These uncertainties include:
 - The difficulty in some claims in determining when the exposure took place which will affect how some claims are allocated between policy years.

- The proportion of mesothelioma sufferers that decide to make a formal claim.
- The uncertainty regarding potential future PL claims given that the Supreme Court ruling on EL is now inconsistent with the earlier “Bolton” PL case (Bolton MBC v MMI & Commercial Union 2006). In the Bolton case, it was held that mesothelioma does not “occur” until the emergence of the first cancerous cell in the body, deemed to be ten years before symptoms are noticed.
- The potential for insurers and self-insurers who have paid mesothelioma and other long tail occupational disease claims to now seek to recover all or part of the cost from MMI.
- The ultimate cost of abuse cases which MMI highlight in their 2012/2013 accounts.
- The extremely long tail of some of the exposures and the resultant difficulty in predicting how many claims MMI will ultimately receive versus its IBNR provisions. MMI continue to specifically flag up mesothelioma, noise induced deafness and alleged abuse / neglect claims as key categories of claims in the context of the run off.

Current Position

- The Levy notice was issued as of and with effect from 1 January 2014.
- A 15% levy applicable to cumulative paid claims since the scheme inception in 2013 was collected from Scheme members in February 2014 (98.6% of the amount due from Members has been physically paid as at 30th June 2014).
- After the Levy notice, a system of indemnity has been adopted for all future liabilities, i.e. West Berkshire will have to settle any future claim directly with the claimant (having liaised with the claims handlers Zurich) and West Berkshire would then be entitled to claim reimbursement from MMI for 85% of the amounts paid.
- In the MMI accounts for the year ending 30th June 2014 that were recently published, Gareth Hughes indicated that it is necessary to allow further time to elapse before he considers whether the Levy needs to be increased. However, the accumulated loss on MMI's balance sheet implies that a further 11% Levy would be required to extinguish the loss; this 11% potential future Levy is our optimistic figure (Table C on page 27 - references C3 and C4).
- We have seen anecdotal evidence from some clients that a significant number of new claims have been reported to MMI in the past 12 months, particularly in the context of noise induced deafness, vibration white finger and alleged abuse. In MMI's 13/14 accounts, they highlight mesothelioma, deafness and abuse claims as the key contributors to the deterioration during the year.

JLT's Recommendation re MMI

We assume that West Berkshire have paid the 15% levy in respect of West Berkshire's liabilities under the Scheme of Arrangement. We recommend that West Berkshire maintain provisions of 15% of reported outstanding claims, which will be self-insured going forward, together with 15% of any paid amounts since MMI instigated the 15% levy. In addition we suggest that West Berkshire maintain a reserve equivalent to at least a further 35% of cumulative paid claims since the scheme started in 1993 less £50,000 plus current outstandings (i.e. a total ultimate levy of 50%), for both the former Newbury DC and your share of the former Berks CC. We accept that this is considerably higher than MMI's latest worst case forecast (25% – 30% mentioned in the webcast of 2nd December 2013, or 26% if we add the 15% levy to the 11% required to extinguish the balance sheet deficit as at 30th June 2014); the reason we recommend this higher figure is that we believe the spate of alleged abuse / alleged neglect claims has the potential to create a material deterioration in MMI's financial position.

e. PL Asbestos Exposure

Following the withdrawal of PL asbestos cover by the insurance market in 2004; this could be viewed as a progressively increasing exposure to the fund as the years go by. In addition, control of contractors on site where there is the potential to release asbestos fibres remains paramount since such exposures are now totally self-insured. We have suggested a modest reserve in this regard.

f. EL/PL run off re public health activities

We understand that whilst the NHSLA / Dept. of Health has agreed to pick up the run off of medical negligence exposure for activity prior to 1st April 2013, the "run-off" risk for EL/PL for activity prior to the transfer date unfortunately rests with local authorities. We have therefore suggested a modest reserve.

7. CAVEATS

- In compiling this review, reliance has been made on the losses database representing the full quantum of reported losses cost in relation to the risks in which the fund is involved.
- An inherent assumption is that the reported frequency of occupational disease losses will not materially change and future forecasts are constructed on this basis, except we have proposed residual IBNR and emerging claim reserves.
- JLT Specialty Ltd has not reviewed any individual loss files during this review.
- On a broader front, this review cannot, by its nature, address potential future changes in risk profile, which may change the future level of incurred losses.
- This report makes no assumption as to the potential change in the future average claim size that may result from the Jackson reforms and the new liability claims portal that inceptioned at the end of July 2013; we believe the prudent approach is to wait for hard evidence on the impact of claims frequency and average size.
- In respect of the transfer of public health activities from Primary Care Trusts (PCTs) to local authorities, this review suggests a reserve for IBNR on employers' and public liability incidents prior to 1st April 2013 (since such claims were handled by the NHS Litigation Authority on a "claims made" rather than a "losses occurring" basis), but does not address any exclusions that your insurers may have imposed from 1st April 2013 following the local authority's assumption of responsibility for public health under the Health and Social Care Act 2012.
- This report only addresses the self-insured risk areas of the risks described herein for which data has been provided, i.e. employers' liability, public liability (including officials' indemnity) and property, and does not attempt to identify or quantify the Council's potential uninsured loss exposures from other risks or contingencies except to suggest reserves in some risk areas.
- To the extent that the reported public liability claims experience for West Berkshire includes claims that are of an alleged abuse or alleged neglect nature, this review and specifically the actuarial method utilised cannot accurately predict the ultimate cost to West Berkshire of claims in these categories. Ultimate costs will be influenced by media coverage, a number of high profile cases and detailed underlying circumstances and arrangements pertinent to West Berkshire that we are not aware of. For these types of claims, the level of reported claims and or known circumstances at any point in time are not a reliable indicator of ultimate claims costs; MMI's actuaries face this difficulty also, which is why we are suggesting that West Berkshire consider providing for a total levy which is significantly beyond MMI's publicly stated pessimistic view.

- Due to the inherent volatility of incurred losses, whilst this exercise is based on best endeavours, we cannot guarantee that the recommended fund size will prove sufficient to meet West Berkshire's ultimate liabilities.
- This report, together with all the appendices listed, should be reviewed in its entirety.

APPENDIX 1 – DETAILED LOSS FORECASTS FOR FUTURE YEARS

Annualised Projected Claim Numbers

Risk	Policy Year	Best Case	Expected	Worst Case
EL	2014/2015	3	8	10
EL	2015/2016	3	8	10
EL	2016/2017	3	8	10

Risk	Policy Year	Best Case	Expected	Worst Case
PL	2014/2015	161	406	488
PL	2015/2016	161	406	488
PL	2016/2017	161	406	488

Risk	Policy Year	Best Case	Expected	Worst Case
Property	2014/2015	10	26	31
Property	2015/2016	10	26	31
Property	2016/2017	10	26	31

Risk	Policy Year	Best Case	Expected	Worst Case
EL/PL/Property	2014/2015	175	440	529
EL/PL/Property	2015/2016	175	440	529
EL/PL/Property	2016/2017	175	440	529

Note: the liability figures below assumes that the casualty programme is renews on 1st November 2014 with a £100,000 deductible as expiring.

Annualised Projected Claims Cost within Fund Limits

Risk	Policy Year	Best Case	Expected	Worst Case
EL	2014/2015	£127,400	£229,600	£531,900
EL	2015/2016	£131,200	£236,500	£547,900
EL	2016/2017	£135,100	£243,600	£564,300

Risk	Policy Year	Best Case	Expected	Worst Case
PL	2014/2015	£258,900	£348,900	£584,300
PL	2015/2016	£266,700	£359,400	£601,800
PL	2016/2017	£274,700	£370,200	£619,900

Risk	Policy Year	Best Case	Expected	Worst Case
EL/PL	2014/2015	£386,300	£578,500	£1,116,200
EL/PL	2015/2016	£397,900	£595,900	£1,149,700
EL/PL	2016/2017	£409,800	£613,800	£1,184,200

exceeds
current aggregate

Risk	Policy Year	Best Case	Expected	Worst Case
Property	2014/2015	£185,400	£251,000	£332,000
Property	2015/2016	£191,000	£258,500	£342,000
Property	2016/2017	£196,700	£266,300	£352,300

Risk	Policy Year	Best Case	Expected	Worst Case
EL/PL/Property	2014/2015	£571,700	£829,500	£1,448,200
EL/PL/Property	2015/2016	£588,900	£854,400	£1,491,700
EL/PL/Property	2016/2017	£606,500	£880,100	£1,536,500

Net Present Value of Annualised Projected Claims Cost within Fund Limits

Assumed annual interest rate:	1.0%
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Risk	Year	Best Case @NPV	Expected @NPV	Worst Case @NPV
EL/PL/Property	2014/2015	£555,600	£806,100	£1,407,300
EL/PL/Property	2015/2016	£572,300	£830,300	£1,449,600
EL/PL/Property	2016/2017	£589,400	£855,200	£1,493,100

Detailed Forecasts

Policy Year	FORECAST ULTIMATE LOSSES (annualised)	CPI (Aug each year)	Injury inflation rate	Forecast Ultimate Losses, Revalued for inflation	No. of trending years	BI	TPPD
	EL		8%	EL			
2004/2005	£16,100	100.4		£34,800	10	100.0%	0.0%
2005/2006	£34,800	102.9		£69,600	9	100.0%	0.0%
2006/2007	£900	104.7		£1,700	8	100.0%	0.0%
2007/2008	£141,900	109.7		£243,200	7	100.0%	0.0%
2008/2009	£335,200	111.4		£531,900	6	100.0%	0.0%
2009/2010	£254,100	114.9		£373,400	5	100.0%	0.0%
2010/2011	£115,700	120.1		£157,400	4	100.0%	0.0%
2011/2012	£74,400	123.1		£93,700	3	100.0%	0.0%
2012/2013	£161,800	126.4		£188,700	2	100.0%	0.0%
2013/2014	£90,100	128.3		£97,300	1	100.0%	0.0%

Trended Average	£179,200
Standard Deviation	£165,000
Minimum value	£1,700
1st Quartile	£75,600
Median value	£127,400
3rd Quartile	£229,600
Maximum value	£531,900

		<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
Forecast	Median	£127,400	£131,200	£135,100
EL	3rd Quartile	£229,600	£236,500	£243,600
	Maximum	£531,900	£547,900	£564,300

Note: 2015/2016 = 2014/2015 plus 3% - assuming materially unchanged fund limits

Policy Year	FORECAST ULTIMATE LOSSES (annualised)	CPI (Aug each year)	Injury inflation rate	Forecast Ultimate Losses, Revalued for inflation	No. of trending years	BI	TPPD
	PL		8%	PL			
2004/2005	£146,600	100.4		£265,500	10	60.5%	39.5%
2005/2006	£134,500	102.9		£178,300	9	10.5%	89.5%
2006/2007	£50,300	104.7		£85,200	8	74.8%	25.2%
2007/2008	£226,600	109.7		£358,700	7	75.9%	24.1%
2008/2009	£160,700	111.4		£252,200	6	96.0%	4.0%
2009/2010	£455,000	114.9		£584,300	5	47.5%	52.5%
2010/2011	£308,400	120.1		£368,900	4	43.8%	56.2%
2011/2012	£115,900	123.1		£135,100	3	56.7%	43.3%
2012/2013	£175,500	126.4		£195,600	2	65.8%	34.2%
2013/2014	£303,900	128.3		£319,500	1	64.3%	35.7%

Trended Average	£274,300
Standard Deviation	£143,500
Minimum value	£85,200
1st Quartile	£182,600
Median value	£258,900
3rd Quartile	£348,900
Maximum value	£584,300

		<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
Forecast	Median	£258,900	£266,700	£274,700
PL	3rd Quartile	£348,900	£359,400	£370,200
	Maximum	£584,300	£601,800	£619,900

Note: 2015/2016 = 2014/2015 plus 3% - assuming materially unchanged fund limits

Policy Year	FORECAST ULTIMATE LOSSES (annualised)	CPI (Aug each year)		Forecast Ultimate Losses, Revalued for inflation
	Property			Property
2007/2008	£283,900	109.7		£332,000
2008/2009	£218,900	111.4		£252,100
2009/2010	£166,000	114.9		£185,400
2010/2011	£50,100	120.1		£53,500
2011/2012	£57,500	123.1		£59,900
2012/2013	£93,700	126.4		£95,100
2013/2014	£249,800	128.3		£249,800

Trended Average	£175,400
Standard Deviation	£108,500
Minimum value	£53,500
1st Quartile	£77,500
Median value	£185,400
3rd Quartile	£251,000
Maximum value	£332,000

		<u>2014/2015</u>	<u>2015/2016</u>	<u>2016/2017</u>
Forecast	Median	£185,400	£191,000	£196,700
Property	3rd Quartile	£251,000	£258,500	£266,300
	Maximum	£332,000	£342,000	£352,300
Note: 2015/2016 = 2014/2015 plus 3% - assuming materially unchanged fund limits				

APPENDIX 2 – FORECAST FUNDING REQUIREMENT AS AT 31ST MARCH 2015

Section A - Recommended Provisions / Reserves on Legacy Years as at 31st May 2014

Risk	U/W Years	Reported Outstanding Claims	IBNR	IBNER	Total	
EL	2013/2014 and prior	£509,900	£53,100	£163,600	£726,600	A1
PL	2013/2014 and prior	£828,300	£267,700	£-238,300	£857,700	A2
Property	2013/2014 and prior	£64,700	£106,000	£15,800	£186,500	A3
		£1,402,900	£426,800	£-58,900	£1,770,800	

Grand Total **£1,770,800** Sub-Total A

Roll forward to 31st March 2015

Adjustment in IBNR	£150,000	-(£150,000)
Forecast paid claims between 1st June 2014 and 31st March 2015	-(£462,200)	

Reported Outstanding Claims	IBNR	IBNER	Total	
£1,090,700	£276,800	£-58,900	£1,308,600	A

Section B - Recommended Fund Injection to Support 2014/2015 Policy Year

Risk	Policy Year	Full Year at "Expected" Case Sscenario	Expected % Paid by 31/3/15	Pro-Rata to 31/3/2015	Provisions as at 31/3/2015	Reserves as at 31/3/2015	
EL	2014/2015	£229,600	0%	£95,000	£9,500	£85,500	B1
PL	2014/2015	£348,900	2%	£144,300	£35,400	£106,100	B2
Property	2014/2015	£251,000	25%	£103,800	£38,900	£38,900	B3
		£829,500		£343,100	£83,800	£230,500	
					B Total 1	B Total 2	
						£314,300	B

Section C - Suggested Additional Reserves (for consideration by the Authority)

			Optimistic	Suggested	Pessimistic	
Residual IBNR	x% of A1		£72,700	£181,700	£290,600	C1
		x =	10.0%	25.0%	40.0%	
Emerging Claim Type Buffer	y% of A1 + A3		£79,200	£158,400	£396,100	C2
		y =	5.0%	10.0%	25.0%	
MMI Scheme of Arrangement Levy re former Newbury DC	z% of cumulative paid + O/S since 1993 less £50K		£24,000	£76,400	£141,800	C3
		z =	11.0%	35.0%	65.0%	
MMI Scheme of Arrangement Levy re West Berkshire's exposure to the former Berkshire County Council	z% of cumulative paid + O/S since 1993 less £50K		£87,700	£279,000	£518,100	C4
		z =	11.0%	35.0%	65.0%	
Withdrawal of PL asbestos cover by market			£25,000	£50,000	£75,000	C5
Non medical negligence IBNR on Public Health Transfer from PCTs effective 1/4/13			£25,000	£50,000	£75,000	C6
			£313,600	£795,500	£1,496,600	
		Grand Total		£795,500		C

Total forecast funding requirement as at 31st March 2015 = Tables A + B + C = **£2.418m**

Forecast Provisions and Reserves as at 31st March 2015

(Including pro-rata injection on 1st November 2014 to support part of 2014/2015 policy year)

Tables A + B + C above

Basis of Allocation	Provisions	Reserves
Reported Outstanding Claims	√	
IBNR		√
IBNER		√
Residual IBNR		√
Emerging Claim Buffer		√
MMI Levy	√ part	√ part

Policy Years	Element	Provisions	Reserves	Totals
2013/2014 and prior	EL	£509,900	£216,700	£726,600
2013/2014 and prior	PL	£828,300	£29,400	£857,700
2013/2014 and prior	Property	£64,700	£121,800	£186,500
2014/2015	EL	£9,500	£85,500	£95,000
2014/2015	PL	£35,400	£106,100	£141,500
2014/2015	Property	£38,900	£38,900	£77,800
Legacy	Residual IBNR		£181,700	£181,700
Legacy	Emerging Claims		£158,400	£158,400
Legacy	MMI Levy - former Newbury DC		£76,400	£76,400
Legacy	MMI Levy - former Berks CC		£279,000	£279,000
Legacy	Withdrawal of PL asbestos cover		£50,000	£50,000
Legacy	Public Health transfer IBNR		£50,000	£50,000
Adjustment for movement in IBNR to 31/3/15		£150,000	-£150,000	£0
Less forecast paid claims 1/6/14 to 31/3/15		-£462,200		-£462,200
Totals		£1,174,500	£1,243,900	£2,418,400

APPENDIX 3 – LATEST REPORTED CLAIMS - LIABILITY

A) Latest Reported Incurred Losses

Risk1	Liability	▼
Use?	Yes	▼

Row Labels	Count of Policy Year	Sum of Paid	Sum of O/S	Sum of Incurred
EL	74	£971,623	£633,124	£1,604,746
00 Pre 03/04	4	£121,953	£225,000	£346,953
2003/2004	7	£35,673	£0	£35,673
2004/2005	8	£16,125	£0	£16,124
2005/2006	3	£41,218	£0	£41,218
2006/2007	4	£881	£0	£881
2007/2008	14	£61,652	£143,952	£205,604
2008/2009	8	£394,138	£102,395	£496,533
2009/2010	10	£239,326	£30,000	£269,326
2010/2011	10	£27,600	£59,350	£86,950
2011/2012	3	£12,431	£30,000	£42,431
2012/2013	2	£20,627	£36,377	£57,004
2013/2014	1	£0	£6,050	£6,050
PL	2,397	£2,128,846	£1,054,591	£3,183,437
2003/2004	108	£412,202	£2,500	£414,702
2004/2005	122	£163,056	£0	£163,056
2005/2006	151	£164,771	£0	£164,771
2006/2007	191	£45,343	£5,000	£50,343
2007/2008	200	£226,649	£0	£226,649
2008/2009	232	£122,893	£37,823	£160,716
2009/2010	340	£864,311	£364,012	£1,228,323
2010/2011	189	£95,443	£204,193	£299,636
2011/2012	148	£25,764	£84,792	£110,555
2012/2013	490	£4,647	£145,933	£150,580
2013/2014	226	£3,768	£210,339	£214,107
Grand Total	2,471	£3,100,469	£1,687,715	£4,788,183

B) Latest Reported Split Between Fund and Overlying Insurers

Risk1	Liability	▼
Use?	Yes	▼

Row Labels	Sum of Dept Cost	Sum of Ranking Cost	Sum of Insurer Cost
EL	£0	£1,335,434	£269,312
00 Pre 03/04	£0	£346,953	£0
2003/2004	£0	£35,673	£0
2004/2005	£0	£16,124	£0
2005/2006	£0	£34,669	£6,549
2006/2007	£0	£881	£0
2007/2008	£0	£139,425	£66,179
2008/2009	£0	£329,949	£166,584
2009/2010	£0	£239,326	£30,000
2010/2011	£0	£86,950	£0
2011/2012	£0	£42,431	£0
2012/2013	£0	£57,004	£0
2013/2014	£0	£6,050	£0
PL	£0	£2,065,100	£1,118,337
2003/2004	£0	£116,453	£298,249
2004/2005	£0	£146,572	£16,484
2005/2006	£0	£134,456	£30,315
2006/2007	£0	£50,343	£0
2007/2008	£0	£226,649	£0
2008/2009	£0	£160,716	£0
2009/2010	£0	£455,034	£773,289
2010/2011	£0	£299,636	£0
2011/2012	£0	£110,555	£0
2012/2013	£0	£150,580	£0
2013/2014	£0	£214,107	£0
Grand Total	£0	£3,400,534	£1,387,649

C) % of Claims Cost Absorbed within Fund Limits

Row Labels	Sum of Dept Cost	Sum of Ranking Cost	Sum of Insurer Cost
EL	0.0%	83.2%	16.8%
00 Pre 03/04	0.0%	100.0%	0.0%
2003/2004	0.0%	100.0%	0.0%
2004/2005	0.0%	100.0%	0.0%
2005/2006	0.0%	84.1%	15.9%
2006/2007	0.0%	100.0%	0.0%
2007/2008	0.0%	67.8%	32.2%
2008/2009	0.0%	66.5%	33.5%
2009/2010	0.0%	88.9%	11.1%
2010/2011	0.0%	100.0%	0.0%
2011/2012	0.0%	100.0%	0.0%
2012/2013	0.0%	100.0%	0.0%
2013/2014	0.0%	100.0%	0.0%
PL	0.0%	64.9%	35.1%
2003/2004	0.0%	28.1%	71.9%
2004/2005	0.0%	89.9%	10.1%
2005/2006	0.0%	81.6%	18.4%
2006/2007	0.0%	100.0%	0.0%
2007/2008	0.0%	100.0%	0.0%
2008/2009	0.0%	100.0%	0.0%
2009/2010	0.0%	37.0%	63.0%
2010/2011	0.0%	100.0%	0.0%
2011/2012	0.0%	100.0%	0.0%
2012/2013	0.0%	100.0%	0.0%
2013/2014	0.0%	100.0%	0.0%
Grand Total	0.0%	71.0%	29.0%

D) Latest Paid Split Between Fund and Overlying Insurers

Risk1	Liability	▼
Use?	Yes	▼

Row Labels	Sum of Dept Paid	Sum of Ranking Paid	Sum of Insurer Paid
EL	£0	£825,485	£146,139
00 Pre 03/04	£0	£121,953	£0
2003/2004	£0	£35,673	£0
2004/2005	£0	£16,125	£0
2005/2006	£0	£34,669	£6,549
2006/2007	£0	£881	£0
2007/2008	£0	£61,652	£0
2008/2009	£0	£254,548	£139,590
2009/2010	£0	£239,326	£0
2010/2011	£0	£27,600	£0
2011/2012	£0	£12,431	£0
2012/2013	£0	£20,627	£0
2013/2014	£0	£0	£0
PL	£0	£1,236,758	£892,087
2003/2004	£0	£116,453	£295,749
2004/2005	£0	£146,572	£16,484
2005/2006	£0	£134,456	£30,315
2006/2007	£0	£45,343	£0
2007/2008	£0	£226,649	£0
2008/2009	£0	£122,893	£0
2009/2010	£0	£314,772	£549,539
2010/2011	£0	£95,443	£0
2011/2012	£0	£25,764	£0
2012/2013	£0	£4,647	£0
2013/2014	£0	£3,768	£0
Grand Total	£0	£2,062,243	£1,038,226

E) Latest O/S Split Between Fund and Overlying Insurers

Risk1	Liability	▼
Use?	Yes	▼

Row Labels	Sum of Dept Reserve	Sum of Ranking Reserve	Sum of Insurer Reserve
EL	£0	£509,949	£123,173
00 Pre 03/04	£0	£225,000	£0
2003/2004	£0	£0	£0
2004/2005	£0	-£1	£0
2005/2006	£0	£0	£0
2006/2007	£0	£0	£0
2007/2008	£0	£77,773	£66,179
2008/2009	£0	£75,401	£26,994
2009/2010	£0	£0	£30,000
2010/2011	£0	£59,350	£0
2011/2012	£0	£30,000	£0
2012/2013	£0	£36,377	£0
2013/2014	£0	£6,050	£0
PL	£0	£828,341	£226,250
2003/2004	£0	£0	£2,500
2004/2005	£0	£0	£0
2005/2006	£0	£0	£0
2006/2007	£0	£5,000	£0
2007/2008	£0	£0	£0
2008/2009	£0	£37,823	£0
2009/2010	£0	£140,262	£223,750
2010/2011	£0	£204,193	£0
2011/2012	£0	£84,792	£0
2012/2013	£0	£145,933	£0
2013/2014	£0	£210,339	£0
Grand Total	£0	£1,338,291	£349,423

APPENDIX 4 – LATEST REPORTED CLAIMS - PROPERTY

A) Latest Reported Incurred Losses

Risk1	Property	▼
Use?	Yes	▼

Row Labels	Count of Policy Ye	Sum of Paid	Sum of O/S	Sum of Incurred
2007/2008	27	£278,993	£4,880	£283,873
2008/2009	28	£218,924	£0	£218,924
2009/2010	26	£153,187	£12,775	£165,962
2010/2011	24	£50,137	£0	£50,137
2011/2012	12	£57,506	£0	£57,506
2012/2013	4	£89,284	£0	£89,284
2013/2014	17	£85,419	£47,068	£132,486
Grand Total	138	£933,449	£64,723	£998,172

B) Latest Reported Split Between Fund and Overlying Insurers

Risk1	Property	▼
Use?	Yes	▼

Row Labels	Sum of Dept Cost	Sum of Ranking Cost	Sum of Insurer Cost
2007/2008	£0	£283,873	£0
2008/2009	£0	£218,924	£0
2009/2010	£0	£165,962	£0
2010/2011	£0	£50,137	£0
2011/2012	£0	£57,506	£0
2012/2013	£0	£89,284	£0
2013/2014	£0	£132,486	£0
Grand Total	£0	£998,172	£0

C) % of Claims Cost Absorbed within Fund Limits

Row Labels	Sum of Dept Cost	Sum of Ranking Cost	Sum of Insurer Cost
2007/2008	0.0%	100.0%	0.0%
2008/2009	0.0%	100.0%	0.0%
2009/2010	0.0%	100.0%	0.0%
2010/2011	0.0%	100.0%	0.0%
2011/2012	0.0%	100.0%	0.0%
2012/2013	0.0%	100.0%	0.0%
2013/2014	0.0%	100.0%	0.0%
Grand Total	0.0%	100.0%	0.0%

D) Latest Paid Split Between Fund and Overlying Insurers

Risk1	Property	▼
Use?	Yes	▼

Row Labels	Sum of Dept Paid	Sum of Ranking Paid	Sum of Insurer Paid
2007/2008	£0	£278,993	£0
2008/2009	£0	£218,924	£0
2009/2010	£0	£153,187	£0
2010/2011	£0	£50,137	£0
2011/2012	£0	£57,506	£0
2012/2013	£0	£89,284	£0
2013/2014	£0	£85,419	£0
Grand Total	£0	£933,449	£0

E) Latest O/S Split Between Fund and Overlying Insurers

Risk1	Property	▼
Use?	Yes	▼

Row Labels	Sum of Dept Reserve	Sum of Ranking Reserve	Sum of Insurer Reserve
2007/2008	£0	£4,880	£0
2008/2009	£0	£0	£0
2009/2010	£0	£12,775	£0
2010/2011	£0	£0	£0
2011/2012	£0	£0	£0
2012/2013	£0	£0	£0
2013/2014	£0	£47,068	£0
Grand Total	£0	£64,723	£0

APPENDIX 5 – SELF-FUNDED LOSS DEDUCTIBLES

Next Renewal Date: 01 November 2014

Risk: EL / PL (including Official's Indemnity, Libel & Slander and Professional Negligence)

U/W Year	Start	Finish	Duration (mths)	Policy Excess	Dept Excess	Fund Excess	Aggregate (for period)
00 Pre 03/04				£145,000	£0	£145,000	i.e. assume these claims are totally self-insured
2003/2004	01/12/2003	30/09/2004	10	£25,000	£0	£25,000	£325,000
2004/2005	01/10/2004	30/09/2005	12	£25,000	£0	£25,000	£340,000
2005/2006	01/10/2005	31/10/2006	13	£25,000	£0	£25,000	£340,000
2006/2007	01/11/2006	31/10/2007	12	£100,000	£0	£100,000	£600,000
2007/2008	01/11/2007	31/10/2008	12	£100,000	£0	£100,000	£625,000
2008/2009	01/11/2008	31/10/2009	12	£100,000	£0	£100,000	£500,000
2009/2010	01/11/2009	31/10/2010	12	£100,000	£0	£100,000	£500,000
2010/2011	01/11/2010	31/10/2011	12	£100,000	£0	£100,000	£500,000
2011/2012	01/11/2011	31/10/2012	12	£100,000	£0	£100,000	£500,000
2012/2013	01/11/2012	31/10/2013	12	£100,000	£0	£100,000	£375,000
2013/2014	01/11/2013	31/10/2014	12	£100,000	£0	£100,000	£450,000

Next Renewal Date: 01 November 2014

Risk: Property

U/W Year	Start	Finish	Duration (mths)	Policy Excess	Dept Excess	Fund Excess	Aggregate (for period)
2007/2008	01/11/2007	31/10/2008	12	£250,000	£0	£250,000	£450,000
2008/2009	01/11/2008	31/10/2009	12	£250,000	£0	£250,000	£450,000
2009/2010	01/11/2009	31/10/2010	12	£250,000	£0	£250,000	£450,000
2010/2011	01/11/2010	31/10/2011	12	£250,000	£0	£250,000	£450,000
2011/2012	01/11/2011	31/10/2012	12	£250,000	£0	£250,000	£450,000
2012/2013	01/11/2012	31/10/2013	12	£250,000	£0	£250,000	£450,000
2013/2014	01/11/2013	31/10/2014	12	£250,000	£0	£250,000	£450,000

APPENDIX 6 – DEVELOPMENT FACTORS SELECTED

Development Factors to Ultimate

1	2	3	4	5	6	7	8	9
U/W Year	U/W Year (mths)	months' development	Severity			Frequency		
			EL	PL	Property	EL	PL	Property
00 Pre 03/04			1.000	1.000	1.000	1.000	1.000	1.000
2003/2004	10	126	1.000	1.000	1.000	1.000	1.000	1.000
2004/2005	12	116	1.000	1.000	1.000	1.000	1.000	1.000
2005/2006	13	104	1.003	1.000	1.000	1.000	1.000	1.000
2006/2007	12	91	1.012	1.000	1.000	1.000	1.000	1.000
2007/2008	12	79	1.018	1.000	1.000	1.000	1.000	1.000
2008/2009	12	67	1.034	1.000	1.000	1.000	1.000	1.000
2009/2010	12	55	1.119	1.000	1.000	1.002	1.001	1.000
2010/2011	12	43	1.331	1.029	1.000	1.025	1.006	1.000
2011/2012	12	31	1.752	1.048	1.000	1.111	1.020	1.000
2012/2013	12	19	2.838	1.165	1.050	1.540	1.122	1.000
2013/2014	12	7	6.636	2.354	1.886	3.475	2.142	1.800

APPENDIX 7 – FORECAST OF ULTIMATE LEGACY LIABILITY LOSSES

EL									
A	B	C	D	E	F	G	H	I	
U/W Year	Latest Paid	Latest O/S	Latest Incurred	Months' Dvelpmt	Devlpt Factor.	Forecast Ultimate	Forecast Ultimate less portion to insurers	Forecast Ultimate to Fund (less paid)	
00 Pre 03/04	£121,953	£225,000	£346,953		1.000	£346,953	£346,953	£225,000	
2003/2004	£35,673	£0	£35,673	126	1.000	£35,673	£35,673	£0	
2004/2005	£16,125	£0	£16,125	116	1.000	£16,125	£16,125	£0	
2005/2006	£41,218	£0	£41,218	104	1.003	£41,349	£34,779	£110	
2006/2007	£881	£0	£881	91	1.012	£891	£891	£10	
2007/2008	£61,652	£143,952	£205,604	79	1.018	£209,276	£141,915	£80,263	
2008/2009	£394,138	£102,395	£496,533	67	1.034	£504,413	£335,185	£80,637	
2009/2010	£239,326	£30,000	£269,326	55	1.119	£285,971	£254,117	£14,791	
2010/2011	£27,600	£59,350	£86,950	43	1.331	£115,694	£115,694	£88,094	
2011/2012	£12,431	£30,000	£42,431	31	1.752	£74,353	£74,353	£61,923	
2012/2013	£20,627	£36,377	£57,004	19	2.838	£161,799	£161,799	£141,173	
2013/2014	£0	£6,050	£6,050	7	6.636	£90,148	£90,148	£90,148	
	£971,623	£633,124	£1,604,747		<i>Totals.....</i>	£1,882,645	£1,607,633	£782,148	

adjusted for large losses + £50K for prudence

PL									
A	B	C	D	E	F	G	H	I	
U/W Year	Latest Paid	Latest O/S	Latest Incurred	Months' Dvelpmt	Devlpt Factor.	Forecast Ultimate	Forecast Ultimate less portion to insurers	Forecast Ultimate to Fund (less paid)	
00 Pre 03/04	£0	£0	£0		1.000	£0	£0	£0	£0
2003/2004	£412,202	£2,500	£414,702	126	1.000	£414,702	£116,453	£0	£0
2004/2005	£163,056	£0	£163,056	116	1.000	£163,056	£146,572	£0	£0
2005/2006	£164,771	£0	£164,771	104	1.000	£164,771	£134,456	£0	£0
2006/2007	£45,343	£5,000	£50,343	91	1.000	£50,343	£50,343	£5,000	£5,000
2007/2008	£226,649	£0	£226,649	79	1.000	£226,649	£226,649	£0	£0
2008/2009	£122,893	£37,823	£160,716	67	1.000	£160,716	£160,716	£37,823	£37,823
2009/2010	£864,311	£364,012	£1,228,323	55	1.000	£1,228,323	£455,034	£140,262	£140,262
2010/2011	£95,443	£204,193	£299,636	43	1.029	£308,434	£308,434	£212,992	£212,992
2011/2012	£25,764	£84,792	£110,555	31	1.048	£115,881	£115,881	£90,117	£90,117
2012/2013	£4,647	£145,933	£150,580	19	1.165	£175,496	£175,496	£170,849	£170,849
2013/2014	£3,768	£210,339	£214,107	7	2.354	£504,089	£303,900	£300,132	£300,132
	£2,128,846	£1,054,591	£3,183,437		Totals.....	£3,512,460	£2,193,933	£957,175	

125% of average of previous 5 years given immaturity

EL / PL Combined								
A	B	C	D	E	F	G	H	I
U/W Year	Latest Paid	Latest O/S	Latest Incurred	Months' Dvlpmt	Devlpt Factor.	Forecast Ultimate	Forecast Ultimate less portion to insurers	Forecast Ultimate to Fund (less paid)
00 Pre 03/04	£121,953	£225,000	£346,953			£346,953	£346,953	£225,000
2003/2004	£447,876	£2,500	£450,376	126		£450,376	£152,126	£0
2004/2005	£179,181	£0	£179,181	116		£179,181	£162,697	£0
2005/2006	£205,989	£0	£205,989	104		£206,120	£169,235	£110
2006/2007	£46,224	£5,000	£51,224	91		£51,235	£51,235	£5,010
2007/2008	£288,301	£143,952	£432,253	79		£435,925	£368,564	£80,263
2008/2009	£517,031	£140,218	£657,249	67		£665,128	£495,901	£118,460
2009/2010	£1,103,637	£394,012	£1,497,649	55		£1,514,294	£709,151	£155,053
2010/2011	£123,043	£263,543	£386,586	43		£424,128	£424,128	£301,085
2011/2012	£38,194	£114,792	£152,986	31		£190,234	£190,234	£152,040
2012/2013	£25,273	£182,310	£207,583	19		£337,295	£337,295	£312,022
2013/2014	£3,768	£216,389	£220,157	7		£594,237	£394,048	£390,281
	£3,100,469	£1,687,715	£4,788,184		Totals.....	£5,395,105	£3,801,566	£1,739,323

APPENDIX 8 – FORECAST OF ULTIMATE LEGACY PROPERTY LOSSES

Property								
A	B	C	D	E	F	G	H	I
U/W Year	Latest Paid	Latest O/S	Latest Incurred	Months' Dvelpmt	Devlpt Factor.	Forecast Ultimate	Forecast Ultimate less portion to insurers	Forecast Ultimate to Fund (less paid)
2007/2008	£278,993	£4,880	£283,873	79	1.000	£283,873	£283,873	£4,880
2008/2009	£218,924	£0	£218,924	67	1.000	£218,924	£218,924	£0
2009/2010	£153,187	£12,775	£165,962	55	1.000	£165,962	£165,962	£12,775
2010/2011	£50,137	£0	£50,137	43	1.000	£50,137	£50,137	£0
2011/2012	£57,506	£0	£57,506	31	1.000	£57,506	£57,506	£0
2012/2013	£89,284	£0	£89,284	19	1.050	£93,748	£93,748	£4,464
2013/2014	£85,419	£47,068	£132,486	7	1.886	£249,832	£249,832	£164,413
	£933,449	£64,723	£998,172		Totals.....	£1,119,981	£1,119,981	£186,532

APPENDIX 9 – AGGREGATE STOP LOSS ANALYSIS

Check of EL/PL Cross-Class Aggregate Breaches

U/W Year	Forecast Ultimate Losses within		Breach?	Amount of Breach	Latest Paid within Fund Limits	Net amount to Deduct from recommended provisions now
	Aggregate	Retention				
2003/2004	£325,000	£152,126	0	£0	£152,126	£0
2004/2005	£340,000	£162,697	0	£0	£162,697	£0
2005/2006	£340,000	£169,235	0	£0	£169,125	£0
2006/2007	£600,000	£51,235	0	£0	£46,224	£0
2007/2008	£625,000	£368,564	0	£0	£288,301	£0
2008/2009	£500,000	£495,901	0	£0	£377,441	£0
2009/2010	£500,000	£709,151	1	£209,151	£554,098	£155,053
2010/2011	£500,000	£424,128	0	£0	£123,043	£0
2011/2012	£500,000	£190,234	0	£0	£38,194	£0
2012/2013	£375,000	£337,295	0	£0	£25,273	£0
2013/2014	£450,000	£394,048	0	£0	£3,768	£0
						£155,053

Check of Property Aggregate Breaches

U/W Year	Forecast Ultimate Losses within Retention			Breach?	Amount of Breach	Latest Paid within Fund Limits	Net amount to Deduct from recommended provisions now
	Aggregate						
2007/2008	£450,000	£283,873		0	£0	£283,873	£0
2008/2009	£450,000	£218,924		0	£0	£218,924	£0
2009/2010	£450,000	£165,962		0	£0	£165,962	£0
2010/2011	£450,000	£50,137		0	£0	£50,137	£0
2011/2012	£450,000	£57,506		0	£0	£57,506	£0
2012/2013	£450,000	£93,748		0	£0	£89,284	£0
2013/2014	£450,000	£249,832		0	£0	£132,486	£0
							£0

APPENDIX 10 – CALCULATION OF ULTIMATE FREQUENCY AND IBNR

U/W Year	Latest Reported Frequency EL	Average Claim Size EL	Projected Ultimate Frequency EL	Implied IBNR EL
2004/2005	8	£2,016	8	£0
2005/2006	3	£11,556	3	£0
2006/2007	4	£220	4	£0
2007/2008	14	£9,959	14	£0
2008/2009	8	£41,244	8	£0
2009/2010	10	£23,933	10	£475
2010/2011	10	£8,695	10	£2,183
2011/2012	3	£14,144	3	£4,724
2012/2013	2	£28,502	3	£30,777
2013/2014	1	£6,050	3	£14,971

£53,100

	Policy Year	Best Case	Expected	Worst Case
Annualised Forecast	2014/2015	3	8	10
EL	2015/2016	3	8	10
Loss Frequency	2016/2017	3	8	10

U/W Year	Latest Reported Frequency PL	Average Claim Size PL	Projected Ultimate Frequency PL	Implied IBNR PL
2004/2005	122	£1,201	122	£0
2005/2006	151	£890	151	£0
2006/2007	191	£264	191	£0
2007/2008	200	£1,133	200	£0
2008/2009	232	£693	232	£36
2009/2010	340	£1,338	340	£666
2010/2011	189	£1,585	190	£1,848
2011/2012	148	£747	151	£2,163
2012/2013	490	£307	550	£18,437
2013/2014	226	£947	484	£244,535

£267,700

	Policy Year	Best Case	Expected	Worst Case
Annualised Forecast	2014/2015	161	406	488
PL	2015/2016	161	406	488
Loss Frequency	2016/2017	161	406	488

U/W Year	Latest Reported Frequency Property	Average Claim Size Property	Projected Ultimate Frequency Property	Implied IBNR Property
2007/2008	27	£10,514	27	£0
2008/2009	28	£7,819	28	£0
2009/2010	26	£6,383	26	£0
2010/2011	24	£2,089	24	£0
2011/2012	12	£4,792	12	£0
2012/2013	4	£22,321	4	£0
2013/2014	17	£7,793	31	£105,989

£106,000

	Policy Year	Best Case	Expected	Worst Case
Annualised Forecast	2014/2015	10	26	31
Property	2015/2016	10	26	31
Loss Frequency	2016/2017	10	26	31

APPENDIX 11 – PROJECTED TIMING OF FUTURE CASH FLOWS

Predicted timing of future claims paid

Year on Year payment patterns

	1	2	3	4	5	6	7	Check
EL	4%	6%	15%	28%	30%	10%	8%	100%
PL	15%	15%	10%	23%	20%	18%	0%	100%
Motor	40%	30%	15%	10%	5%	0%	0%	100%
Property	75%	25%	0%	0%	0%	0%	0%	100%

Contributions to total

EL	34.3%
PL	44.3%
Motor	0.0%
Property	21.4%

Combined payment pattern

	1	2	3	4	5	6	7
	24.0%	14.0%	9.6%	19.4%	19.2%	11.2%	2.6%

Interest rate assumed going forward 1.0%

Present value calculation	1	23.93
(assume losses paid evenly)	2	13.84
	3	9.34
	4	18.74
	5	18.32
	6	10.59
	7	2.41
PV factor		0.972

Predicted Payout of Provisions (Pro-rata of 2014/2015 plus all prior policy years)

Assuming no further self-insurance after 31st March 2015

(Ignoring suggested residual IBNR, emerging claim types, further MMI levies and other reserves)

TOTAL RECOMMENDED FUND SIZE

Policy Year	Fund Requirement			Paid in Financial Year									
				2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022		
	<u>EL/PL</u>	<u>Property</u>	<u>Total</u>										
00 Pre 03/04	£225,000		£225,000	£45,000	£45,000	£45,000	£45,000	£45,000					
2003/2004	£0		£0	£0									
2004/2005	£0		£0	£0									
2005/2006	£110		£110	£110									
2006/2007	£5,010		£5,010	£5,010									
2007/2008	£80,263	£4,880	£85,143	£42,571	£42,571								
2008/2009	£118,460	£0	£118,460	£39,487	£39,487	£39,487							
2009/2010	£0	£12,775	£12,775	£10,400	£2,400								
2010/2011	£301,085	£0	£301,085	£175,200	£102,300	£23,500							
2011/2012	£152,040	£0	£152,040	£56,400	£55,700	£32,500	£7,500						
2012/2013	£312,022	£4,464	£316,486	£49,000	£99,200	£97,900	£57,200	£13,200					
2013/2014	£390,281	£164,413	£554,693	£102,600	£70,000	£141,700	£139,900	£81,700	£18,800				
2014/2015	£239,300	£103,800	£343,100	£28,800	£75,600	£44,200	£30,100	£61,000	£60,200	£35,200	£8,100		
	£1,823,600	£290,300	£2,113,900	£554,600	£532,300	£424,300	£279,700	£200,900	£79,000	£35,200	£8,100		
			<i>Adjusted to take account of timing of review</i>	£462,200	£536,000	£442,300	£303,800	£214,000	£99,300	£42,500	£14,000		
		1.0%		£459,900	£528,100	£431,400	£293,400	£204,600	£94,000	£39,800	£13,000		

Total predicted payout at present value...

£2,064,200

APPENDIX 12 – GLOSSARY OF TECHNICAL TERMS

Term	Definition
Accident or Occurrence	An event resulting in injury, loss or damage to a person or property.
Aggregate Stop Loss	A monetary limit provided by the Overlying Insurer, eroded by the accumulation of paid losses within West Berkshire's self-funded deductible. In the event that cumulative paid losses within West Berkshire's self-funded deductible exceed the aggregate stop loss, any further losses are paid by the Overlying Insurers from the Ground up.
Average Cost per Loss	The total cost of all losses for a given risk and policy year divided by the number of losses for that risk and policy year.
Claim	A financial cost paid by insurers.
Deductible	A voluntary self-funded retention, chosen by West Berkshire and generally significantly higher than an excess.
Excess	A self-funded retention imposed on West Berkshire by insurers; generally lower than a deductible.
1 st Quartile	A number for which 25% of the data set is less than that number (in this review the data set is forecast ultimate losses for legacy years, trended for claims inflation).
FGU = "from ground up"	The combination of self-funded loss cost plus insurance claim element if applicable above the self-funded area.
IBNER – incurred but not enough reported	A loss which is reported with an amount set aside for potential payment in future, but where the ultimate settled loss is predicted to be higher than the amount currently set aside; If IBNER is negative, then the ultimate predicted loss predicted to be lower than the latest amount set aside.
IBNR – incurred but not reported losses	The forecast of total accidents or occurrences that, as at the Review date, have yet to be formally reported to West Berkshire or its insurers
Incident	An accident or occurrence that has given rise or could give rise to a self-funded loss to West Berkshire and/or a claim on West Berkshire's insurers.
Incurred Loss	The sum of paid and outstanding amounts.

Insurance Fund	Provisions and reserves on West Berkshire's balance sheet in respect of self-funded losses.
Legacy Years	Policy years 2013/2014 and prior
Loss	A financial cost to West Berkshire that is self-funded and uninsured, including the cost within an insurance policy deductible
Median	The middle value when the data set is ranked from the smallest to the largest value (in this review the data set is forecast ultimate losses for legacy years, trended for claims inflation).
MMI	Municipal Mutual Insurance
Overlying Insurer	The insurer providing cover above West Berkshire's deductibles.
Provision	Made where an incident has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain (FRS 12 / IAS 37 provides a definition of what criteria have to be met for it to be a provision)
Reserve	Any potential and contingent liabilities for self-funded losses which fall outside the definition of provision
Review Date	The "as at" date of the forecast, based on the data at which the loss runs were extracted.
3 rd Quartile	A number for which 75% of the data set is less than that number (in this review the data set is forecast ultimate losses for legacy years, trended for claims inflation).
Total Cost of Risk	The combination of the forecast ultimate retained loss costs, funded by West Berkshire plus the external premium paid to insurers including insurance premium tax, plus any additional insurance programme management costs
TPBI	Third party bodily injury
TPPD	Third party property damage
Ultimate Losses	The final amount of incurred losses when all losses have been settled for a given risk and policy year
Underwriting Year (or Policy Year)	The insurance contract period between one renewal date and the next renewal date to which losses are allocated based on the date of accident or occurrence (or based on the date the loss is made in respect of officials' indemnity losses).

APPENDIX 13 – SCHEDULE OF INFORMATION PROVIDED

- Completed project briefing (fact find) document.
- Confirmation of liability and property deductibles and aggregate stops
- Property claims log
- EL claim runs (in-house)
- OI claims run (in-house)
- PL loss runs
- EL & PL claims run (Travelers)
- MMI Scheme of Arrangement cumulative paid claims (note on this was in fact find document)
- Unaudited 2013/2014 accounts and prior year accounts (downloaded from the internet)

APPENDIX 15 – CASUALTY COMPARISONS WITH PREVIOUS REVIEWS

Risk	Policy Year	Full year forecast claims cost within West Berkshire's Deductible					Improvement (deterioration) since 2012 review	
		JLT Review 2014	JLT Review 2012	JLT Review 2010	JLT Review 2008	JLT Review 2006		
EL	2003/2004	£35,700	£27,100	£27,100	£27,100	£27,100	-(£8,600)	
EL	2004/2005	£16,100	£16,100	£40,000	£44,700	£25,800	£0	
EL	2005/2006	£34,800	£26,500	£27,000	£28,900	£31,800	-(£8,300)	
EL	2006/2007	£900	£0	£12,400	£16,400	£24,600	-(£900)	
EL	2007/2008	£141,900	£87,300	£33,200	£54,400	£0	-(£54,600)	
EL	2008/2009	£335,200	£173,300	£65,000	£50,600	£45,200	-(£161,900)	
EL	2009/2010	£254,100	£139,700	£35,500	£52,100		-(£114,400)	
EL	2010/2011	£115,700	£102,000	£53,900			-(£13,700)	
EL	2011/2012	£74,400	£104,000				£29,600	
EL	2012/2013	£161,800	£112,300				-(£49,500)	
EL	2013/2014	£90,100	£115,700				£25,600	-(£356,700)
PL	2003/2004	£116,500	£114,800	£159,200	£140,500	£139,700	-(£1,700)	
PL	2004/2005	£146,600	£146,600	£146,600	£155,300	£152,000	£0	
PL	2005/2006	£134,500	£134,500	£145,500	£123,600	£116,400	£0	
PL	2006/2007	£50,300	£78,000	£49,000	£107,400	£290,400	£27,700	
PL	2007/2008	£226,600	£218,100	£209,000	£352,600	£227,900	-(£8,500)	
PL	2008/2009	£160,700	£82,900	£309,600	£311,000	£277,900	-(£77,800)	
PL	2009/2010	£455,000	£308,500	£323,800	£320,300		-(£146,500)	
PL	2010/2011	£308,400	£303,400	£331,100			-(£5,000)	
PL	2011/2012	£115,900	£198,200				£82,300	
PL	2012/2013	£175,500	£220,400				£44,900	
PL	2013/2014	£303,900	£227,000				-(£76,900)	-(£161,500)

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